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## NEWS SUMMARY

### GENERAL

## SDP and Liberals move to alliance

*Social Democrats and Liberals agreed the principles for an alliance at the next election.*

They produced a statement in which they set out their joint priorities.

These confirm commitment to proportional representation, incomes policy, EEC membership and multilateral disarmament. Page 10

### Katowice arrests

Police detained 80 after youths clashed with riot squads at the railway station in Katowice, Poland. "Soviet threat still near." Page 2

### IMF 'no' to PLO

The IMF voted not to admit the Palestine Liberation Organisation as an observer at the IMF-World Bank meeting in September.

### Police 'warned'

The Scarman Inquiry heard that a prominent member of the black community had warned police of tension in Brixton two weeks before the riots. Page 8

### Ballot award

The non-TUC Professional Association of Teachers accepted the first award of Government money for a union ballot. Page 10

### GLC boycott plan

The new Labour-controlled Greater London Council is to boycott goods from South Africa and will refuse tenders from companies that operate there.

### Anti-racism drive

THE TUC launched a campaign against racism at work with the publication of an equal opportunities charter. Page 10

### Guard jailed

A prison guard was jailed in Istanbul for aiding the escape of the man who shot the Pope.

### Crash murder

David Davies, who staged a road crash to cover up his wife's death, was convicted in Cardiff of her murder.

### Oversell claim

Some exhaust fitting specialist centres talk motorists into buying shock absorbers they do not need, the AA says. Page 9

### Heathrow alert

Scotland Yard warned travellers to guard luggage and valuables at Heathrow airport, where foreign thieves and pickpockets have been making day-trip raids.

### Etna erupts

Mount Etna erupted, belching dense smoke. There was no lava or seismic activity.

### Afghan quake

An earthquake struck Afghanistan's northern province of Jouzjan, causing "destruction" and casualties.

### Sweet sorrow

Souvenir sweet tins with the word "humbugs" above pictures of Charles and Diana are to be altered by the makers.

### Briefly . . .

Ascot eccentric hat wearer Gertrude Shilling's 1981 number featured six wedding bells. Racing Page 16

Freedom of Glasgow was awarded to world leightweight boxing champion Jim Watt.

First aircraft powered by solar cells made a successful test flight in France.

### BUSINESS

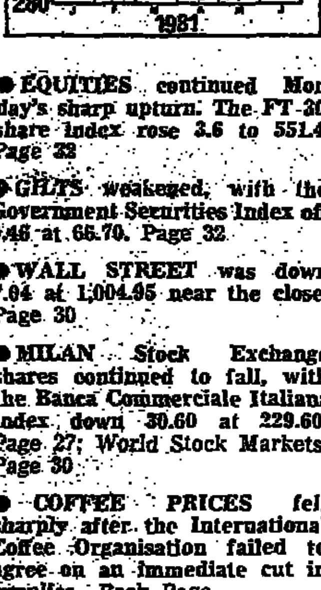
## Sterling weakens; $8 fall for gold

● **STERLING** lost ground in London, closing at $1.9960 ($2.0020), DM 4.6850 (DM 4.69) and FFr 11.1525 (FFr 11.2125). Its trade-weighted index was 95.7 (95.8). Page 29

● **DOLLAR'S** trade-weighted index fell to 107.4 from 107.7. The U.S. currency rose to DM 2.3460 (DM 2.3420) and SwFr 2.0490 (SwFr 2.0425), but fell to FFr 5.5875 (FFr 5.6025). Page 29

● **GOLD** fell $8 in London to $462.5. Page 29

● **GOLD MINING** shares fell with the bullion price. The FT Gold Mines index dropped 17.3 to 327.5. Page 32




● **EQUITIES** continued Monday's sharp upturn. The FT-30-share index rose 3.6 to 551.4. Page 32

● **GILTS** weakened, with the Government Securities Index off 0.46 at 66.70. Page 32

● **WALL STREET** was down 7.04 at 1,004.95 near the close. Page 30

● **MILAN** Stock Exchange shares continued to fall, with the Banca Commerciale Italiana index down 30.60 at 229.60. Page 27; World Stock Markets, Page 30

● **COFFEE PRICES** fell sharply after the International Coffee Organisation failed to agree on an immediate cut in supplies. Back Page

● **WORLD BANK** is arranging a $400m five-year fixed interest Eurobond through Deutsche Bank. Page 26

● **NORTH KOREA** failed for the third time to meet repayment schedules negotiated with two consortia representing 73 banks. Page 28

● **LLOYD'S OF LONDON** was urged by a Conservative MP to consider withdrawing its Bill to improve self-regulation. Page 9

● **CENTRAL ELECTRICITY** Generating Board and Electricite de France signed agreements for a £500m cross-Channel link between the two systems. Page 9

● **S. and W. BERISFORD** raised its holding of British Sugar Corporation shares to 39.29 per cent. Page 22; Lex, Back Page

● **SONY CORPORATION,** the Japanese electrical appliance maker, suffered a 9.4 per cent fall in net profits to Y31.58bn (£71.7m) in the six months to April 30. Page 28; Lex, Back

● **INTERNATIONAL TIMBER** Corporation's pre-tax profits for the year to March 28 plunged from £8.74m to £1.11m. Page 21

● **BUTTERFIELD - HARVEY,** the industrial holding company, reported a pre-tax loss of £2.68m for the year to March 28, against £1.26m profits. Page 20

● **TRIDENT TELEVISION** reported pre-tax profits down from £5.17m to £4.26m for the six months to March 31. Page 20; Lex, Back Page

## CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

**RISES**

| | | |
|---|---|---|
| Alpine Soft Drinks | 138 | + 6 |
| Bank of Scotland ... | 403 | + 10 |
| Barratt Devs. ...... | 218 | + 9 |
| Britannic Assrnc.... | 270 | + 10 |
| Crest Nicholson ... | 170 | + 9 |
| Davis (Godfrey) ... | 79 | + 4½ |
| Foseco Minsep ...... | 256 | + 11 |
| Gresham House ... | 290 | + 8 |
| Johnson Matthey ... | 270 | + 10 |
| Joseph (Leopold) . | 235 | + 13 |
| Kean and Scott ... | 40 | + 4 |
| Kode ................ | 305 | + 10 |
| Lesney ............... | 23 | + 3 |
| Lloyds Bank ......... | 380 | + 12 |
| NatWest Bank ...... | 382 | + 14 |
| Pearl Assurance ... | 406 | + 12 |
| Pleasurama ......... | 335 | + 15 |
| Polly Peck ........... | 338 | + 12 |
| Provident Financial | 127 | + 6 |
| Reed (Austin) A ... | 80 | + 6 |
| Saatchi and Saatchi | 307 | + 11 |
| Saga Holidays ...... | 338 | + 11 |
| Scotcros ............. | 132 | + 10 |
| Serck .................. | 44 | + 8 |
| Standard Fireworks | 136 | + 6 |
| Stock Conversion... | 345 | + 8 |
| Unitech ............... | 226 | + 10 |
| Wedgwood ......... | 90 | + 4½ |
| Carless Capel ...... | 128 | + 8 |
| I.C. Gas .............. | 193 | + 15 |
| Bridge Oil ........... | 415 | + 29 |

**FALLS**

| | | |
|---|---|---|
| Treas. 13pc 2000 ... | £89¼ | — ¾ |
| Cons. Modderfontein | 72 | — 8 |
| F. S. Geduld ......... | £16¼ | — 1¾ |
| Randfontein Ests.... | £25¾ | — 2¼ |
| Swan Resources ... | 78 | — 5 |
| Western Holdings... | £30 | — 2¾ |
| Western Mining ... | 300 | — 12 |

# Coal industry grants raised to £550m after pits climbdown

BY CHRISTIAN TYLER, LABOUR EDITOR

THE COST of the Government's climbdown to the miners in February will mean a £231m increase in the National Coal Board's cash limit for this year as direct grants to the industry are more than doubled to £550m.

Measures announced yesterday slightly exceeded the forecast, but received a very guarded welcome from the Coal Board which said it would have "a particularly severe and difficult task" staying within the new £1.12bn external financing limit.

The Government's concessions appeared to satisfy Mr Joe Gormley, president of the National Union of Mineworkers.

It was the threat of a national strike by the NUM, and unofficial action by 40,000 of its members in protest against pit closures and coal imports, which forced thet Government into a major review of the Coal Board's finances.

After a meeting of ministers, union leaders and Coal Board officials yesterday, Mr Gormley would say only that the package was "a step in the right direction."

News of the financial measures, which wil entail a new Coal Industry Act later this year, was seized on by the railway unions as justification for their own campaign for greater Government subsidy.

Mr Sid Weighell, general secretary of the National Union of Railwaymen, said he would invoke the so-called triple alliance of coal, steel and rail unions if there was a confrontation over investment and pay on the railways.

In the Commons, Conservative backbenchers demanded assurances that the extra cash made available for the coal industry would not be used to finance big wage rises

**Cost of capitulation, Page 8**
**Tory backbenchers attack extra aid for NCB, Page 10**
**BP ends defiance, Back Page**
**Rail jobs warning, Back Page**

Mr David Howell, Energy Secretary, stressed that the new limit would be tightly applied to cut costs an dincrease efficiency. "At the heart of it is the need to limit growth of labour costs," he said.

The NUM conference is expected to adopt a Left-inspired minimum wagetarget of £100 a week from November, equivalentto about 25 per cent across the board. Yesterday's announcement is unlikely to dampen expectations, even though moderates will argue that he Coal Board's new financial framework should not be jeopardised.

Mr Howell has increased operating and social grants to the Coal Board by £300m to £550m for this year. The grant will be used principally to keep open collieries that the Board wanted to shut this year, to encourage men to transfer from older pits, and to subsidise sales to the Central Electricity Generating Board and the British Steel Corporation.

Some of the Board's borrowing will be replaced by grant, to ease its interest burden. The net effect is to raise the financing limit to £69m less than the grants themselves.

Parliament will be asked to aprove orders raising the Coal Board's long-term borrowing powers to the maximum allowed by the Coal Industry Act, 1980—a figure of £4,300m. But a new Act will be needed to discharge the Government's commitments.

The present Act envisaged the Coal Board breaking even by 1983 as its operating subsidiaries were phased out. There was no statement yesterday about that deadline, but it was being assumed that the breakeven date—long a source of grievance with the Board and the unions—would have to be postponed.

Sir Derek Esra, NCB chairman, said after his meeting with the Secretary of State yesterday morning: "We have done a good deal, an excellent deal." He went on to praise the succcess of his staff in boosting coal exports and of the miners in achieving productivity gains of 3-4 per cent.

# U.S. ends ban on arms sales to Chinese

BY TONY WALKER IN PEKING

THE U.S. has announced that it will sell arms to China. This was conveyed to Chinese leaders by Mr Alexander Haig, the U.S. Secretary of State, who today concludes a four-day visit to Peking.

The agreement to sell offensive weapons to China is a major step forward in Sino-U.S. relations and is a further sign of the growing strategic links between the two countries.

Mr Haig said that the U.S. Government had decided to remove the so-called "munitions list restrictions" which previously banned arms sales to China.

Any specific Chinese request for arms would now be considered by the U.S. in conjunction with the usual consultations with Congress and, where necessary, discussions with affected allies.

In the talks this week between Mr Haig and Chinese leaders, the two sides appear to have overcome some of their differences over Taiwan.

"We have made genuine progress regarding Taiwan," Mr Haig said last night. "I explained that the unofficial relationship which has characterised the contact between the people of the U.S. and the people of Taiwan since the normalisation of relations with the People's Republic of China will be continued, and this was understood." He would not, however, respond to questions on the Taiwan issue beyond describing it as "sensitive."

Mr Haig disclosed that a Chinese military delegation would visit Washington in August to discuss arms purchases. It would be led by a high official of the People's Liberation Army.

Mr Haig reiterated statements made in Hong Kong that he had not come to China on an arms selling mission. He sought to play down the decision to sell arms, saying this was not such a great change to past practice.

However, he agreed that lethal weapons may be among those sold. When Mr Harold Brown, then Defence Secretary, visited Peking early last year, he informed the Chinese that the U.S. was prepared to sell defence-related technology such as computers, but not arms.

Mr Haig discounted suggestions that his visit had been less than successful because of continuing Chinese disquiet over policy differences with the U.S. The Secretary of State pointed out that his counterpart, Vice Premier Huang Hua had described the visit as "important and significant."

Continued on Back Page

Meeting on Hua's future, Page 4

# Amex move to sell banking arm

BY DAVID LASCELLES IN NEW YORK

AMERICAN EXPRESS, the worldwide travel and credit card company, wants to sell its offshore banking subsidiary, American Express International Banking Corporation because its unusual standing under U.S. bank regulations hinders its ability to compete with other big international banks.

This was revealed in a statement prepared for the shareholders meeting called for June 29 to approve Amex's merger with Shearson Loeb Rhoades, the big Wall Street investment firm.

The statement says: "From time to time there have been discussions with third parties concerning their acquisition of all or portions of American Express' interest in AEIBC. Such discussions have been preliminary in nature and no agreements of any kind have been reached."

It goes on to say that Amex's relationship with AEIBC is being kept under review and various alternatives, including sale, are being explored.

American Express is anxious not to be defined as a bank in the U.S. because this would subject it to the tough U.S. banking laws. AEIBC's activities have been mainly in the international commercial and investment banking market. Apart from a New York agency, AEIBC has no banking presence in the U.S.

AEIBC's exclusion from the U.S. market means it cannot compete effectively with other leading international banking institutions. Last week the Federal Reserve Board refused to let AEIBC open one of the newly authorised international banking facilities which will pave the way for offshore banking in the U.S.

AEIBC has assets of $6.9bn (£3.45bn) and earned American Express $41m (£20.5m) in income last year, about 11 per cent of the total. But though divestiture would cut Amex off from an important source of revenue, the procedes would give it additional resources to expand into the realm of financial services

**Our banking correspondent** writes: A large part of AEIBC's business is centred on Western Europe. About 43 per cent of the group's assets are based here and 30 offices are maintained in 10 European countries.

The hub of the Western European network is London, where the group controls two recognised banks, AEIBC and Amex Bank—a merchant bank.

# Prime Minister hits out against public sector

BY RICHARD EVANS AND JOHN ELLIOTT

THE PRIME MINISTER declared her determination last night to ensure that private enterprise be given priority over the State sector to increase both its profitability and the country's prospects for creating permanent jobs.

The clear inference of her speech at the annual dinner of the Confederation of British Industry in London was that fewer resources should be made available for investment in nationalised industries in future.

"Now it's the private sector's turn. . . . We owe it to the unemployed," she declared. The speech was seen at Westminster as a pre-emptive move against her Cabinet critics intent on changing Government policy.

In a series of scathing references to the publis sector, Mrs Thatcher said that results had not always lived up to expectations. "The rosy-tinted prospectus must be set against the reality of past performance."

**Not a crisis Cabinet meeting, Thatcher says, Page 10**
**Lombard, Page 16**

Her hardline speech on the eve of today's special Cabinet to consider the Government's econmic strategy was seen as a warning to those members of the Cabinet who believe that increased investment in nationalised industries is required to reflate the economy quickly.

Mrs Thatcher's message was clear. The present economic strategy must remain despite its undoubted unpopularity ,and to change course now would be to court political as well as economic disaster.

The indications are that her tactics will succeed, at least in the short term. Although today's meatin gis the first opportunity in two years for Cabinet "wets" to argue about economic strategy in front of the whole Cabinet, no decisions are to be taken and there is no mood of rebelilon.

The Prime Minister, in a clear reference to Cabinet critics, said that some believed even more should be spent on the nationalised industries.

In her view the British economy had been suffering for decades not from inadequate investment, but from investment that yielded a quite inadequate return.

"We spend billions to expand the steel industry, and now we are spending billions to contract it. All this is being paid for by profitable business and employment, through high taxation and dear money."

In the coming years, her purpose would be to see that private enterprise could start to earn the returns that it needed. "Nothing must be done to imperil your chances. . . this is why the Government must keep public spending down."

Mrs Thatcher added it was up to the Government to see that the private sector was not starved of the resources it needed to build its profits and to create jobs.

While industrialists at the dinner welcomed Mrs Thatcher's emphasis on the need to help the private sector, they were not totally in favour of her strictures about nationalised industries.

Though they want the Government to cut current expenditure in the public sector, they also want increased capital investment so that they can win orders and expand their operations.

Mrs Thatcher was speaking at a time when the debate is hotting up about treatment of nationalised industries.

Yesterday's coal industry financial package followed a £200m increase in British Telecom's external financing limit, and there is a strong view among Treasury Ministers and civil servants that no more exceptions should be allowed.

The next major issue is British Rail's electrification programme, being considered by Ministers today.

Nationalised industry chairmen are pressing for greater freedom to pursue general investment programmes without too many Government controls. But both the Chancellor of the Exchequer and senior Treasury officials have said in the past few days that they see little scope for relaying their policies.

Mrs. Thatcher's other significant pledge, in a speech ranging over all sectors of Government economic strategy, was the Government's determination to retain curbing of inflation as top priority.

"Our aim is nothing less than to bring inflation permanently down to low single figures," she said.

The present rate of inflation at around 12 per cent was nothing like low enough. At that rate, prices doubled every six years, and Britain lost 7 per

Continued on Back Page

**£ in New York**

| | June 16 | Previous |
|---|---|---|
| Spot | $1.9880-9895 | $1.9580-9610 |
| 1 month | 1.14-1.22 pm | 1.08-1.16prem |
| 3 months | 2.35-2.45 pm | 2.50-2.60prem |
| 12 months | 4.25-4.45 pm | 4.75-4.95prem |

# First steps to impeach Bani-Sadr

By Terry Povey in Tehran

**Iran's Parliament will take the first steps today in the impeachment of President Abolhassan Bani-Sadr.**

A large majority of Parliamentary deputies seem certain to support proposals for impeachment and the numerous procedural arrangements to implement it.

Short of an attempt by the minority supporting the President to deprive the Parliament of a quorum, most deputies are agreed that an impeachment trial, taking the form of a prolonged and intensive Parliamentary debate, could be concluded within a week of its start.

The debate would give Mr Bani-Sadr 10 hours to defend himself against his political opponents, who would have 10 hours to prove his incompetence.

Should the Parliament at the end of the debate find Mr Bani Sadr "politically incompetent" then the constitution enables it to ask Ayatollah Khomeini, Iran's revolutionary leader, to dismiss him.

It seems unlikely that Mr. Bani-Sadr, who has not been seen in Tehran since last Thursday, can hope for last-minute intervention by Ayatollah Khomeini.

Mr. Bani-Sadr had claimed in a statement after his dismissal as commander-in-chief of the armed forces last week that the last stage was under way of a coup d'état in which he was to be killed.

The Speaker of the Parliament indicated yesterday that letters sent by Mr Bani-Sadr in reply to Ayatollah Khomeini's request for an apology were not satisfactory.

A further eight members of staff from Mr Bani-Sadr's Presidential office were reported to have been arrested. According to the reports they were arrested leaving the President's office on Monday.

Police outside the President's office confirmed that a number of people had been arrested on Monday night.

They indicated some saloon cars parked nearby which they said contained officials from the prosecutor's office waiting to arrest anyone who might show up.

The police confirmed that a small explosive device was thrown over the wall of the President's office on Monday night. They denied reports that it had ignited a secret store of explosives in the office basement.



## CONTENTS



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# Soviet threat to Poland 'is still real', Lord Carrington warns

BY DAVID TONGE, DIPLOMATIC CORRESPONDENT

Lord Carrington: *arms race fears*

LORD CARRINGTON, the British Foreign Secretary, yesterday issued a stark warning that the dangers of a Soviet intervention in Poland "were real and are still real."

He said he thought that there could "easily be a Soviet intervention in certain circumstances." But he added that this would be the end of detente.

Lord Carrington was speaking two weeks before he takes over the Presidency of the EEC and the task of co-ordinating European foreign policy for the next six months.

In a wide-ranging interview, *he also* indicated the course which Europe will steer on the Middle East as well as his hopes for the EEC Presidency.

His references to Poland were unusually strong, although *he made it clear that the* limit of what the West could do to help the Poles was being reached.

He said that a Soviet intervention would mean "an end *to all arms limitation* talks, which I suppose would lead to an arms race which undoubtedly the Soviet Union would lose—although it would be very disagreeable for us."

He also said that the Soviet Union would have to feed the Poles and honour their $24bn debts to the West or call into question the credit of the whole Soviet system.

In his view, the West had to help Poland by bringing home to the Soviet Union the disastrous consequences which an invasion could have, including its effects on Moscow's already-shaken status in the Third World.

But he warned that the West could do little more to help the Polish economy: "I think there is a limit to the amount of economic aid that the West can give. I should have thought that limit is very nearly reached.

His views on the Middle East were much more cautiously phrased, though he made clear his disappointment at the way recent Israeli actions have cut the ground from under his ambition to make a success of Europe's initiative on the Middle East.

Though repeating Britain's condemnation of the Israeli raid on Iraq he said he did not think there was anything more at present which Britain could do to prevent an attack on the Syrian anti-aircraft missiles in Lebanon except support the efforts of Mr. Philip Habib, the U.S. envoy to the area.

Asked if he believed the U.S. response to the crisis had been adequate, Lord Carrington said he believed it would difficult for Washington to reverse the whole of its policy because *of* the Israeli attack on Iraq. But he added that on the peace process Western Europe still does not know what the Administration's policy will be.

The past ten days have emphasised the continuing differences between West Europe and the U.S. on how to tackle a Middle East settlement. In Lord Carrington's view, events have underlined the need for both sides to accept the principles of last year's Venice Declaration

Lord Carrington had planned to work to persuade the Palestine Liberation Organisation conditionally to accept Israel's right to exist.

He is prepared to meet Mr Yasser Arafat, the PLO leader, if this would help, but has no present plans for this and *believes that the Israeli attack* on Iraq has been a setback.

On the European Community, Lord Carrington warned against expecting miracles during the six months of the British presidency. He claimed it was still realistic to expect agreement on reform of the Common Agricultural Policy and the EEC budget by the end of 1981. But *he opened the door for a* "second best" solution which many British officials believe may be all that can be achieved.

Under this approach, if an adequate CAP reform could not be obtained, Britain would press for agreement this year on the broad lines of arrangements to prevent Britain and West Germany being forced to make unacceptably high net payments to the EEC. The hope would be that not too long after that the actual arrangements to formalise this would be in place.

Lord Carrington said he would like the EEC to make a declaration affirming the importance of political co-operation between the Foreign Ministers. He believes that a two- or three-man secretariat should be formed in Brussels and the machinery for automatic consultation be improved.

He also believes that political co-operation should be formally expanded to include security. By this he means areas such as disarmament, emphasising: "Defence belongs to Nato. Full stop."

All this is very much less than the new French government and the West Germans are advocating. Bonn, in particular, *is calling for a major* document building on the Treaty of Rome, political co-operation and mechanisms such as the European Council of heads of government. But, asked if Britain should not encourage a relaunch of the community, Lord Carrington insisted on the need to build from the bottom rather than impose from the top.

**Britain and East Germany yesterday took a further small step towards improving their relations when Herr Hermann Axen, who ranks third in the East German politburo, called on Lord Carrington, the British Foreign Secretary, writes David Tonge. Both countries were able to agree on the need for disarmament talks and Britain is keen to take advantage of the opportunities for business offered by the new East German five-year plan.**

# Local polls loom over Italian coalition bid

BY RUPERT CORNWELL IN ROME

THIS WEEKEND'S important local elections are beginning to cast a shadow over the so far *encouraging attempts of Sig.* Giovanni Spadolini, the Republican party leader, to form the first Italian government in 35 years not headed by a Christian Democrat.

Yesterday Sig. Spadolini was embarking on the final round of meetings with leaders of the parties likely to join the next coalition. His intention remains to report to President Sandro Pertini tomorrow or on Friday that he will form an administration.

Signs are growing, however, of the desire of some key parties, *notably the Socialists,* to keep open as many options as possible until the outcome of the weekend vote is known.

The Prime Minister-designate has been concentrating on *securing approval for a basic* four-point programme to deal with what he calls the "moral, economic and social emergency" facing the country. It consists of action to wind up the P-2 Freemasons' Lodge; new measures to combat terrorism, including greater inventives for captured extremists to co-operate with the authorities; a "social contract" to tackle inflation; and a firmly European and Atlanticist foreign policy.

This strategy, however, has become inevitably entangled with this weekends vote, in *which almost 9m Italians,* a fifth of the total electorate, will be going to the polls to choose a new regional government for Sicily and new city administrations in major centres like Rome, Genoa and Bari.

As always in Italy, local issues have been overwhelmed by *national* considerations. The vote will be closely scrutinised for two reasons above all: as a measure of the *electoral* repercussions of the P-2 scandal, and of the extent to which the socialist advance in France might spill over into Italy.

*On the first point,* what indications there are suggest that the opposition Communists, the one main party uncontaminated by the P-2 affair, may make gains—particularly in *Rome where, with 35 per cent* at the last local election in 1976, they are already the largest single party.

Socialist leaders, for their part, are professing optimism that the so-called "Mitterrand effect" will yield them handsome dividends as well. Should this prove the case, then the Socialists inevitably will press Sig Spadolini for greater concessions for themselves.

This would pose the risk of upsetting the Christian Democrats. The easy acquiescence with which the long-ruling party has accepted the idea of surrendering the job of Prime Minister has seemed too good to be true to many observers.

At the very least, the Christian Democrats will be expect*ing generous compensation* when ministerial posts are distributed after the weekend.

# Odds shorten on FitzGerald for Irish PM

By Stewart Dalby in Dublin

**THE LIKELIHOOD of Dr Garret FitzGerald, leader of the opposition Fine Gael party, becoming Ireland's next Prime Minister has increased. This follows the strengthening of support for Mr. Michael O'Leary as leader of the minority Labour Party in succession to Mr Frank Cluskey who lost his seat in the general election.**

**Mr O'Leary favours a coalition and, should he become leader, will almost certainly swing the Labour Party's 15 parliamentary seats in with Dr Garret FitzGerald's 65 seats. The chances of forming a coalition government would then be secure.**

LAURENT FABIUS

# Fast-rising star of France's Socialists

BY DAVID HOUSEGO, RECENTLY IN ROUEN

LAURENT FABIUS, 34, Budget Minister and the youngest member of President Francois Mitterrand's new administration, is one of the fast-rising stars of the Socialist Party *which, on the basis of* last Sunday's election results, will romp to easy victory in the final round of the legislative elections next Sunday.

There is no doubt that he will remain in the Government. He has been a close personal adviser of M Mitterrand, who himself takes pride in the fact that he got his first ministerial post at 30. He was named by the weekly L'Express as the most hard-working deputy on the Opposition benches in the last Parliament.

M Fabius was largely responsible for last week's budget and he is now closely involved in drawing up the measures due to be announced today to cushion smaller industrial borrowers against the shock of high *interest rates. He sees no alternative to subsidising some* types of domestic credit in the face of the upward pressure from the U.S. on interest rates which has badly thrown out of joint the Government's expansionary plans.

M Fabius is himself a striking *example* of the transformation the new Socialist Party has undergone in pitching its appeal across traditional barriers.

His father is a well-known Paris antique dealer and he crowned a brilliant academic career by emerging as one of the outstanding graduates from the Ecole Normale d'Administration—which trains France's top civil servants. Snappily dressed and with a slightly boyish face, he gives an impression of wealth, charm and effortless superiority. At first sight, he would seem to have been more af home in a right-wing administration.

But as a committed socialist he has been part of M Mitterrand's close circle for the past five years and was the party's spokesman on the budget in the last parliament. "Our opponents used to accuse the socialists of being a party of teachers and minor civil servants," he says. But the fundamental change which has occurred is that the party has brought together people of all classes.

His own constituency has been the strongly industrial area of Elbeuf on the outskirts of Rouen. Despite being a newcomer to the region, he has clearly slotted in well. "The secret," he says, "is hard work. People accept you if they see you are serious."

If the new Government's economic philosophy sounds like old-fashioned Keynesian pump-priming, M Fabius insists that such a label misses out the structural reforms which the Mitterrand Administration believes are essential to tackle some of France's deep-rooted problems of inflation and stagnant private investment. *He speaks of such areas as* decentralisation, distribution systems, the property market, the tax structure and, intriguingly, the European Community's agricultural price system.

In boosting public-sector investment as part of a more expansionary economic policy to create jobs, he believes the Government has some room to manoeuvre because France's budget deficit as a proportion of gross national product is much smaller than that of West Germany.

He is anxious for a revival of private investment but thinks *the Government will have* to hold out carrots in the shape of credits and help with exports.

M Fabius had no doubts about the type of France he wants to create—one with more jobs and social justice. He adds: "We have more privileges and inequality than any other country in Europe." But, not suprisingly in the face of the economic difficulties which he himself underlined, he seems less clear on how to achieve his goal.

# U.S. under attack at OECD meeting

By Robert Mauthner in Paris

DISAGREEMENTS over economic strategy and policies towards developing countries marked the opening session of the two-day ministerial meeting of the Organisation for Economic Co-operation and Development (OECD) here yesterday.

The U.S. again found itself the target of sharp criticism for its high interest rate policy, particularly from M Claude Cheysson, the new French External Relations Minister.

The top priority for the French Government was the problem of unemployment, M Cheysson sai dafter the meeting. "We cannot accept an anti-inflationary policy which is being pursued solely at the expense of the weakest in our society."

He said that 20 per cent interest rates and "a dollar floating in the stratosphere" would inevitably lead to more unemployment and stop all new investments. It had created an intolerable situation in many European countries.

Mr William Clark, U.S. Deputy Secretary of State, defended the Reagan administration's policy by emphasising the best contribution the U.S. could make to international economic health was to revitalise its own economy *and to restore non-inflationary growth.*

U.S. foreign policy, to be successful, also required a dynamic and productive domestic economy, he said.

Mr Myer Rashish, U.S. Under-Secretary of State-designate for Economic Affairs, pointed out also that high interest rates were merely a reflection of a high inflation rate and that the U.S. administration aimed to bring both down.

The new French and U.S. administrations were also at odds over North-South problems. M Cheysson called for "a new planetary deal" for developing countries, the speedy opening of the proposed United Nations global negotiations and the implementation of a Keynesian policy on a world scale.

The three main features of such a policy should be the recycling of capital, an increase in the industrialised countries' investments in developing countries and a rise in official aid to the Third World.

By contrast, Mr. Clark studi*ously avoided committing the* U.S. to the UN negotiations and, instead, advocated what amounted to a "trade, not aid" policy.

He said that critics of the U.S concentrated too much on its relatively small official aid contributions. It should not be forgotten that U.S. imports from non-oil developing countries in 1979 totalled $58.6bn, more than ten times official aid flows.

One out of every four dollars of U.S. manufactured imports originated in the Third World and U.S. direct investment in the developing countries was running at or above the level of official aid.

In 1979 alone, commercial banks provided $37bn to the *developing* countries, while total flows of official development assistance from all OECD countries were no more than $23bn.

# Norway likely to lower its oil price

By Fay Gjester in Oslo

STATOIL, Norway's state oil company, is likely to follow Britain's lead and reduce its price *for* North Sea oil. Because of the recent rise in the value of the U.S. dollar, however, Kroner revenues from oil production this year will be about as expected.

The company *indicated* yesterday that a new price would take effect from July 1. "We are negotiating with our customers to determine the natural price level for our oil *in the third quarter of* 1981," a spokesman said.

The price is likely to be fixed just above $35 a barrel, according to industry experts.

# EEC insurance market nearer

*BY JOHN WYLES IN BRUSSELS*

FRENCH FEARS of enormous tax losses appear to be the last serious obstacle to the adoption this year by EEC governments of a *six-year-old draft directive* to establish a genuine common market for non-life insurance services.

Between 1.5 to 2 per cent of *the French* government's tax revenues derive from insurance premiums and Paris is determined that the EEC directive shall not create new opportunities for avoidance.

The directive would enable a non-life insurance company legally established in one member state to insure risks in another without undue hindrance. Some member states, notably France, tax insurance premiums, while others do not. Companies operating out of other member states would be obliged to remit taxes to the appropriate governments when they underwrite risks in countries where insurance premiums are normally taxed.

Following discussion by EEC Finance Ministers this week, officials will try to find a safeguard formula to satisfy the French who have been calling for a Community-wide value added tax on insurance.

Although there is much understanding for the French position, there is also a suspicion that it cloaks a more general reluctance to open its domestic insurance market to external competition, most particularly from the formidable British sector.

France has not been alone in wanting to maintain barriers, but pressure from the European Commission in alliance with the British and Dutch governments is bearing fruit on the vital non-tax issue of authorisation. For several years the so-called "restrictionists" *have* wanted to retain the right to vet any company selling insurance from another member state.

However, Ministers seem ready to endorse a compromise at their September meeting which may free industrial and commercial insurers from any such vetting. Companies specialising in "mass risks" meanwhile, will be subject only to modest tests to ensure consumer protection.

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**Robert Graham** assesses the agreement between unions, employers and the Government

# Spain pins its faith on a social contract

A DROWNING man will grab a lifebelt, even if its is defective. There is at least some hope. This seems the only explanation for the Spanish Government's sudden display of confidence in its ability to fight the four-year-old recession.

With Spain steeped in gloom since the coup attempt in February, any hint of economic good news is grabbed. The good news is last week's tripartite agreement between the Government, the two main trades unions and the employers federation on a form of social contract which limits wages and promises action to deal with unemployment.

Sr Leopoldo Calvo Sotelo's government has treated this as a sign of national solidarity at a difficult moment, which, while being no pananea, is an important basis for understanding between the principal parties involved in combating the recession.

Sr Calvo Sotelo himself, in a series of virtuoso public performances, has proved a remarkable propagandist. His basic message has been that the Government knows what its priorities are, as do the unions and management: combating unemployment, stimulating investment and contrilling inflation. The delicate situation created by the attempted coup will not downgrade the importance of dealing with the economy. Fnally, he says, there is a chink of light at the end of the tunnel.

Sr Calvo Sotelo . . . virtuoso performances

Sr Calvo Sotelo's credibility as a non-nonsense talker, a practicali man with long experience of both the private and public sector, hasc given weight to his words. Partly as a result of this the stock exchanges have surged upwards, almost five points last Wednesday, something unseen since the Franco era.

Confidence, in the last resort, rests as much on facts as on what people want to believe. Little comfort is given by the hard facts of the Spanish economy. Indeed, they give cause for continued concern, as underlined in the recent Organisation for Economic Co-operation and Development report on Spain and the annual report of the Bank of Spain.

Thus Sr Calvo Sotelo is relying almost exclusively on what people want to believe. This is a legitimate strategy in a country traumatised by the attempted coup—provided confidence is consolidated with real achievements in the not-too-distant future.

The essence of the social contract is that the unions have accepted a 9 to 11 per cent wage band for 1982 (a 9 per cent limit for the public sector) against a government commitment to create 350,000 jobs and a vaguer undertaking by the employers to co-operate in creating jobs. This is based on the assumption that inflation will be 12 per cent.

Undoubtedly the unions have made the greatest sacrifice, accepting the clear principle of a cut in real income with no fall in the number of working hours. There is also no mention of how or in what sectors the jobs will be created.

However, the employers, the most reluctant to go along with the pact, maintain that wage levels remain unrealistically high. In this context, the Bank of Spain report pointed out earlier this month that Spanish wages in the past two years had risen 7.6 per cent in real terms, against the 0.25 per cent average of industrialised countries.

Spanish wages have since 1974 been consistently higher than the average in the industrial countries, but the overall political climate in Spain during this period cannot be ignored. High wages have been a sop to ensure industrial tranquillity and social stability.

Slowly, the level of wage increases has been reduced since the 25 per cent high of 1978 and in this gradualist context, the social contract agreement represents a furthre step in the right direction. But the price has been high.

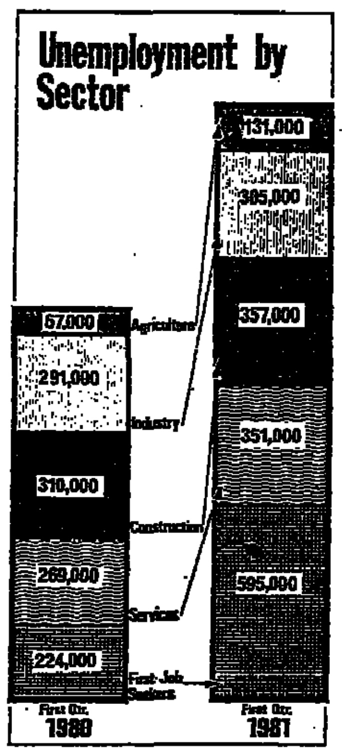
Spanish labour, especially in labour-intensive operations, is pricing Spanish goods out of export markets and weakening industrial competitiveness against the day when tariff barriers are lower. In short, the capacity of adjustment has been, and remains, far too slow—and not just in wages. The same is true incoming to terms with the higher cost of oil.

The Social contract itself by implication underlines the lack of flexibility. Rather than talking of a mid-term adjustment, it is concerned with next year, with all its imponderables. As for any chink of light this is extraordinarily hard to detect.

Inflation in the first quarter is two points up on the same period last year and looks like being around 16 per cent. Industrial production is flat and consumer spending reflects the crisis: New car registrations were down 10 per cent in the first quarter.

Unemployment is up to 1.7m or over 13.5 per cent of the active population, with only a slim indication of levelling off. The Government has yet to demonstrate its capacity to curb current spending and stimulate public sector investment without detriment to private sector credit — a key element to encourage private sector confidence.

A more disturbing trend has been the complete stagnation of exports which since 1977 have played an important part in sustaining the current account. In the first two months of the year volume was down by over 20 per cent and the current account deficit rose from \$1.3bn to \$2.3bn on an almost static level of imports. Receipts from tourism have also been static in real terms. The reserve loss of \$796m is slightly lower, but against this private sector foreign borrowing has quadrupled to \$1.02bn.




Much faith is being placed by the Government in a second half recovery among the industrialised countries economies. But this cannot be taken for granted and the continued high value of the peseta against the dollar is questionable.

The peseta has weakened sharply against the dollar, down by 18 per cent since January, but it has weakened less than other international currencies save the yen. How exporters wil cope with the anticipated recovery remains to be seen.

# Socialists' leader unveils plan to boost democracy

BY OUR MADRID CORRESPONDENT

THE LEADER of Spain's Socialist Party, Sr Felipe Gonzalez, yesterday proposed a plan of national action with one eye on consolidating democracy in the wake of February's abortive coup and the other firmly on his electoral chances.

Although highly conscious of the fragility of Spanish democracy, the Socialists are in a buoyant mood. Opinion polls point to a decline in the popularity of the ruling Union de Centro Democratico and the Socialists believe that M Francois Mitterrand's victory in France will have important practical and psychological benefits. The national action plan was conceived before the French parliamentary elections but its timing now is significant.

The Socialists' basic aim is to demonstrate that, while co-operating ever more closely with Sr Leopoldo Calvo Sotelo's government, they remain a party with ideas of its own. Since the coup attempt they have been forced to abandon the formal role of opposition party, a position which could be electorally damaging.

The action plan centres on three principles: an effective but democratic fight against terrorism; the neutralisation of potential plotters within the armed forces and a thorough investigation of the attempted coup; the laying of the basis for economic recovery, largely through a large dose of public sector investment.

As on previous occasions compared with the principles of government policy, the practical difference is not very great. Rather, the Socialists promise to act with more energy.

This, for instance, is the case over investigations into the implications of the coup bid. The Socialists want to dig deeper into the civilian implications. So far, only one civilian, Sr Juan Garcia Carres, head of the Francoist union organisation, has been indicted.

● A woman police inspector was killed near San Sebastian yesterday in a gun battle between police and suspected members of ETA, the Basque separatist organisation, Reuter reports. Inspector Maria Jose Garcia Sanchez (23), was shot in the head.

'FALTERING' WEST CRITICISED

# Nato's credibility at risk, claims Rogers

BY DAVID WHITE IN PARIS

THE CREDIBILITY of Nato's deterrent is in jeopardy, according to General Bernard Rogers, Supreme Allied Commander in Europe. In a grim warning about the increasing military gap between East and West, he criticised Western countries yesterday for an inadequate and often faltering response which, with the exception of the U.S., showed no sign of changing.

"In my view the Warsaw Pact has now surpassed Nato—or soon will—in all categories of forces necessary for Nato to implement its strategy," he said at a meeting of MPs from the seven-nation Western European Union here. These categories covered strategic and "theatre" nuclear weapons and conventional armament.

The Soviet Union's SS-20 missiles and Backfire bombers provided it with an unprecedented capacity to strike any target in western Europe, Asia and most of North Africa from its own territory, he said.

Despite potential economic and political problems within the Soviet bloc—as exemplified by the Polish situation—there was no sign that this would place any constraint on Moscow's military investment. The Soviet Union's allocation of resources to defence was more than three times the Nato average, as a percentage of gross domestic product, and the rate was not expected to decrease during the current decade.

Nato's ability to deter attack was becoming a cause for serious concern, he said. He complained of "slippages, reductions and cancellations of essential programmes in nearly every allied nation."

Strategic nuclear forces must be maintained in a credible posture and Nato had to go on with its programme for deploying Pershing II and Cruise missiles in order to fill "an extremely dangerous gap" caused by the fielding of Soviet SS-20s.

Nato needed to upgrade its forces in its southern region and to ensure extensive military and economic aid to Turkey, Portugal and Greece. It also needed to define "a more concrete programme" in order to be able to respond to challenges arising outside Nato's boundaries, General Rogers said.

Earlier, Mr Douglas Hurd, Minister of State at the British Foreign Office, defended the emphasis in the UK's defence spending in order to launch the Trident missile-submarine programme. Britain remained committed to fulfilling the Nato target of a 3 per cent annual increase in defence spending in real terms.

"The argument is not about reductions; it is about how to spend the increases," he said.

# OVERSEAS NEWS

## Peking meeting on Hua's future

By Colina MacDougall

A HIGH-LEVEL meeting has begun in Peking which is expected to pave the way for the removal of Hua Guofeng from the party chairmanship and the publication on July 1 of a re-assessment of Chairman Mao.

This working conference is expected to hammer out final agreement on the crucial issues which earlier divided the party, in time for a formal Central Committee session before the end of the month.

Hu Yaobang, general secretary of the party and a protege of Vice - chairman Deng Xiaoping, is expected to be appointed chairman in Hua's place. Hua will probably retain some face-saving post, such as junior party Vice-chairman.

A statement of party policy is likely on July 1, the 60th anniversary of the foundation of the Chinese Communist Party.

Hua's position as chairman has looked uncertain since the Gang of Four trial. Since his role was called into question, he has attracted support from hard-line elements in the leadership and Deng has been forced to compromise over some of his more liberal policies to get his way over appointments.

The reassessment of Chairman Mao for so long the only source of ideological wisdom in China, should enable Deng to liberalise political thinking. On this account it has been strongly resisted by party hard-liners. A formula which gives Mao great credit as a revolutionary but criticises his more recent role, is believed to have been agreed.

● China yesterday rejected a Vietnamese proposal to resume their deadlocked peace talks. Vietnam had called for an immediate end tothe border fighting and fresh negotiations.

## Syria is preparing for war, says Israeli general

BY DAVID LENNON IN TEL AVIV

THE DIRECTOR of Israeli military intelligence said yesterday that the chances of Syria voluntarily withdrawing its anti-aircraft missiles from Lebanon are zero. Syria is preparing for a limited war against Israel, Gen Yehoshua Saguy told reporters.

He also discounted the possibility that Mr. Philip Habib, the special U.S. envoy trying to mediate in the missile crisis, would be able to persuade Syria to withdraw the missiles, or to remove its forces from the strategically important Mount Sanine area near Zahle.

Mr. Habib, now on his second Middle East shuttle, met President Hafez al-Assad in Damascus yesterday, and is expected to arrive in Israel today or tomorrow.

Confirming the Israeli impression of Syrian intransigence, the Syrian Press has continued its bitter criticism of the U.S. role in the Middle East. The daily Tishrin said that "if Begin was not very sure of full American backing, he would not be issuing all these threats."

It also said that Syria will not withdraw its anti-aircraft missiles from Lebanon.

Earlier this week, Mr. Menahem Begin, the Israeli Prime Minister, said that if Mr Habib did not bring word from Damascus that it was prepared to withdraw the missiles, then Israel would attack and destroy them as it had planned to do before the mediator was sent into the region.

This statement evoked strong condemnation from Washington, which has asked Israel to allow time for the special envoy to seek a peaceful solution to the crisis which erupted after Israeli aircraft shot down Syrian helicopters in Lebanon at the end of April.

Gen Saguy said that the Syrians are interested in a low-level confrontation with Israel, without becoming involved in a total war. He noted that Syria recently carried out large-scale air and civil defence exercises as well as practising calling up its reserve forces.

Referring to the Israeli attack on the Iraqi nuclear reactor, the military intelligence chief said that the heart of the reactor had been located in that part of the installation built 15 yards underground.

Our United Nations Correspondent adds: Delegates of the states which are members of the Non-Aligned Movement held a lengthy strategy session in the United Nations yesterday on their options for Security Council action against Israel over the raid.

A new draft of a possible resolution to be submitted to the Council dropped an earlier demand for a mandatory arms embargo, but Iraq was said still to be calling for some kind of punitive measure. The United States has threatened to veto a sanctions resolution but it is assumed that it would support, or at least abstain on a resolution of censure.

Mrs Jeane Kirkpatrick, the chief U.S. representative, was listed to address the Council last night. Her statement was understood to have been submitted to the White House.

If one or more draft resolutions are submitted to the Council today, as expected, a vote could be taken tomorrow or Friday. Britain and France have already called for censure and the payment by Israel of reparations to Iraq, but they oppose an arms boycott.

AP adds: Arab oil producers will consider an oil embargo if the U.S. vetoes the imposition of sanctions against Israel to punish it for its attack on Iraq's nuclear reactor, according to newspaper reports in Kuwait yesterday.

The conservative Al-Siyasseah newspaper said the Organisation of Arab Petroleum Exporting Countries (Oapec) will hold an emergency session if the U.S. uses its veto in the current UN Security Council debate. It added that "the emergency meeting of Oapec will be devoted to consideration of the use of oil as a political weapon in support of Arab interests."

Mr Philip Habib . . . mission encounters more difficult with Israel's claim

## Why President Sadat is determined to get Israel out of Sinai

BY ANTHONY McDERMOTT IN CAIRO

THERE IS only one thing on President Sadat's mind these days. It is not comprehensive peace in the Middle East but the withdrawal of Israel from the last part of Sinai next April.

The Israeli raid on Iraq's nuclear reactor near Baghdad on June 7, coming only three days after his meeting with Mr Menahem Begin, Israel's Prime Minister, has not deflected him from this aim. Mr Sadat told Mayo, his National Democratic Party's weekly newspaper two days ago, that the Israeli raid which destroyed the Iraqi reactor had not destroyed the peace process with it.

Mr Sadat found himself in an awkward position after the announcement of the raid. For pan-Arab and global reasons, it had to be roundly condemned, point that Jordan, Saudi Arabia and Iraq were also at fault for not challenging Israel's aircraft. But he could not let even though he has made the criticism get out of control for fear of it halting progress toward the return of the rest of Sinai.

The risks were made plain in last weeks debate at the People's Assembly. The semi-official daily al-Ahram said: "The People's Assembly has never witnessed such an angry storm."

A series of speakers demanded that Mr Moshe Sasson, Isreal's ambassador to Cairo, be expelled and that Mr Sa'ad Murtada, Egypt's counterpart be withdrawn.

But more threateningly for Mr Sadat, they demanded that the normalisation of relations with Israel be frozen. Eventually, Mr Mohammed Abdillah, head of the foreign relations committee and a key link man with Israel, called for a calmer approach.

Mr Sadat's meeting with Mr Begin at Sharm el-Sheikh, which is still occupied by Israel, caused anger outside Egypt and raised considerable comment within. Syrian newspapers attacked Mr Sadat, linking the meeting with his efforts to get Mr Begin re-elected in the Israeli general elections, with the anniversary of the 1967 Arab-Israeli war, with Israeli attacks on South Lebanon and with possible attacks on Syria's Sam-6s in the Bekaa Valley. Then came Israel's announcement of the air strike, which started from an Israeli base in occupied Sinai.

Mr Sadat has explained that he did not know about the Israeli action. Indeed, he heard about it from his Vice-President, Mr Husni Mubarak, who had in turn been informed by Mr Allan Wendt, the American charge d'affaires here.

At home, the people are more concerned with prices and Ramadan, which begins early next month, rather than whether Mr Sadat was humiliated by Mr Begin.

If there was a popular reaction it was more after Mr Sadat's visit to Sudan that real hopes were roused of being able to move back into the Arab world. But they have been quashed.

Meanwhile, Mr. Sadat has with his usual political sensitivity, been aware of the contradictions of equating his goal of the return of Sinai at almost any cost with not appearing to make concessions. Thus it was significant that the day after the Sharm el Sheikh meeting, he felt it necessary to address the Armed Forces at Ishmalia.

There were three main topics. ● The first was the "peace process." The message was that there would be no further concessions on Sinai; no joint ventures with Israel and no military facilities for the U.S. there.

● The second was an attack on the old Wafd Party which opposed King Farouk and was suppressed when it re-emerged formally under Mr. Sadat's efforts at democratisation.

● The third was to emphasise through a stream of statistics that rakha' (prosperity) was on its way with peace.

Mr. Sadat's Government has been issuing warnings to political opponents outside the country as well. Earlier this month it put on trial in absentia 21 former leading officials, among them General Sa'ad el-Shazly, the chief of staff during the 1973 war. They were accused of setting up a secret opposition organisation abroad.

The political pressures are under control, at present, for Mr. Sadat usually manages to stay ahead of challenges. But the contradictions of his policies have been most starkly summed up on the headlines of the next and as yet unpublished edition of the opposition paper Al-Tqaddum which represents the views of the National Progressive unionists: "Begin humiliates Egypt and Egypt's President, and Egypt's Government still sticks to the peace process."

## Indians attack Pakistan arms deal

By K. K. Sharma in New Delhi

THE INDIAN Government yesterday sharply attacked the U.S. arms deal with Pakistan, stating that the "decision of the U.S. Government could undermine the serious effort that is under way to strengthen the process of normalisation of relations between India and Pakistan."

The attack comes just a week after Indian and Pakistan Foreign Ministers agreed on important steps to normalise relations. Part of the agreement was that both countries had the right to acquire weapons for self-defence.

The U.S. arms package is worth $3bn and involves the sale of F-16 aircraft and other advanced military hardware to Pakistan.

The Indian official said that India had not contested while Pakistan had steadily increased and modernised its military strength over the past decade. But the new agreement "is qualitatively and quantitively different." It could introduce a new level of weapons sophistication into the region which would affect the existing balance," the spokesman said.

The Indian Government, however, "reiterates its consistent desire for good relations with Pakistan and that India poses no threat whatsoever to that country."

David Buchan adds from Washington: There is no legislative bar on Pakistan buying U.S. arms for cash, and U.S. officials believe that the financially strapped Islamabad Government will get some help from Saudi Arabia. This is believed to have been one of the implicit quid pro quos in Washington agreeing to sell Awacs radar aircraft to the Saudis.

But most of the five year, $3bn bilateral defence plan is to be in the form of cheap U.S. credit and aid. Thus President Ronald Reagan will need Capitol Hill approval to make Pakistan an exception to amendments that bar U.S. aid to countries suspected of trying to make nuclear weapons.

The Carter Administration cut off virtually all U.S. aid to Pakistan in April 1979 for precisely this reason. The Reagan Administration has emphasised the importance of bolstering Pakistan as a bulwark against the Russians in neighbouring Afghanistan. But, after the Israeli raid on Iraq, Congress is very alive to the risks of clandestine nuclear weapons programmes, on which Pakistan is believed to be at least as far, if not further, advanced than Iraq.

Congress will presumably want to quiz the Administration closely on the progress of the Pakistan nuclear effort, and on what, if any, assurances Washington sought or was given that Islamabad did not intend to develop or test nuclear weapons. The issue could become a first test of the Reagan Administration's non-proliferation policy since the dramatic Israeli knock-out of Iraq's reactor.

The new U.S. Administration has also given Venezuela the go-ahead to order F-16s, and would have found it very hard to argue that these weapons were all right for Latin America, but not south west Asia, where, by all the Administration's accounts, the real threat from Russian aggression lies.

## All quiet in Soweto

By Bernard Simon in Johannesburg

FEARS OF violence in South Africa faded yesterday on the fifth anniversary of the Soweto riots. About half of Johannesburg's black workers responded to a call to stay at home. But many blacks slept in the city on Monday night to avoid possible violence in the townships.

Sporadic incidents of unrest and sabotage were reported. A railway line was severed by a bomb near East London, and petrol bombs were thrown at a Government building in a Durban township. In Soweto itself there was isolated stone-throwing. Commemorative services were held at churches in several parts of the country.

Coloured pupils boycotted classes at many schools

## Japan capital account 'distorted'

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

THE SALE of $700m of Japanese Government bonds by a "south Asian" country distorted Japan's long-term capital account during May, a Finance Ministry spokesman said yesterday.

The sale meant that net foreign capital inflow into Japan during the month was reduced from over $1bn to about $350m. In April around $1.4bn of foreign capital flowed into Japan.

The remainder of the difference between the modest May inflow and the much larger April figure is accounted for by the fact that the interest gap between Japan and the U.S. widened during the month, thereby diverting some capital flows from Japan to the U.S.

The decline in long term foreign capital inflow is hidden in the overall statistics for Japan's balance on long term capital account, which shows a very large deficit of $3.18bn in April followed by a smaller, though stil substantial one of $810m in May.

The overall balance includes purchases and sales of "gensaki" bonds (bonds sold subject to repurchase agreement) which respond to short term seasonal factors rather than to interest rates or to the basic strength of the economy. Japan's ability to attract a substantial and continuing inflow of long-term capital investment is regarded as being of key importance to the nation's economic viability, given the need for Japan to continue investing overseas.

Before the 1979 "oil shock," Japan could afford to finance its capital exports out of the surplus on current account. But higher oil prices at first pushed the current account into deficit and have more recently resulted in a rough current account balance.

In May there was a deficit of $80m on current account. The current account balance reflects a continuing surplus on Japan's visible trade, offset by a chronic deficit on invisibles.

Finance Ministry officials said yesterday that there were signs of a strong revival of foreign capital into Japan since the beginning of June. The recent strengthening of the yen against the U.S. dollar is thought to be related.

### South-east Asian Foreign Ministers meet in Manila

## Asean plans Kampuchea strategy

BY KATHRYN DAVIES IN SINGAPORE

THE DIPLOMATIC battle to force Vietnam to withdraw its 200,000 troops from Kampuchea is continuing in the Philippines.

Foreign Ministers of the five non-Communist states grouped in the Association of South-East Asian Nations (Asean)—Thailand, Malaysia, Singapore, the Philippines and Indonesia—are meeting over the next few days in Manila to plan their strategy for next month's United Nations-sponsored conference on Kampuchea in New York. Also in Manila will be Mr. Alexander Haig, the U.S. Secretary of State, fresh from Peking, where his Chinese hosts share American apprehensions that a Vietnamese-dominated Indochina will result in vastly extended Soviet influence in the region.

Indeed, Asean might well have preferred Mr. Haig to arrive from elsewhere, so neatly do his movements provide fuel for Vietnamese accusations that the Americans, Chinese, and "reactionary forces within the Asean bloc" are working hand in glove to undermine Vietnam's "obligation" to help the Kampuchean people.

In fact, there are important differences in perception among Vietnam's critics over what needs to be done to persuade or coerce Hanoi into pulling out of Kampuchea.

Asean, which has remained remarkably strong and united on the issue despite some quite serious internal disagreements, insists that, while it wants Vietnam to withdraw, it does not seek to see the Vietnamese Government humiliated or seriously weakened. This seems to leave the door open for Vietnam's appearance at the New York conference, despite Hanoi's repeated condemnations of it as interference in Kampuchea's internal affairs.

Western diplomats think it is still just possible, although unlikely, that the Vietnamese will go to New York. They say the conference itself could then decide to invite the pro-Vietnamese Heng Samrin administration in Phnom Penh to "observe" the proceedings—despite the fact that the United Nations still recognises the ousted Pol Pot regime as Kampuchea's legal government.

This would also mean that other Kampuchean groups, including that led by Son Sahn, a former Prime Minister, could also be invited informally.

### Asean Ministers to meet Haig

THE Foreign Ministers of the five Asean states meet in Manila today and tomorrow, Kevin Rafferty writes from Manila. On Friday and Saturday they will hold separate sessions with Foreign Ministers from Japan, Australia, Canada, New Zealand and the EEC. They will hold talks with Mr Alexander Haig, the U.S. Secretary of State (above) on Saturday. Mr Haig is scheduled to arrive in Manila this afternoon, which will give him two clear days of lobbying both Asean and other Ministers.

The compromise offered by Vietnam—a regional conference at which the three Indochinese countries, Vietnam, Laos and Heng Samrin's Kampuchea, would meet Asean for discussions on regional problems—is unacceptable to Asean and has been denounced by China.

Another suggestion by Vietnam that it would be prepared to withdraw part of its force from Kampuchea in return for a United Nations presence, has apparently been withdrawn. Recent talks between Vietnam and the "front-line state," Thailand, in Rangoon appear to have borne little fruit, although their content has not been made public.

China, meanwhile, continues to supply arms and ammunition to the 30,000 guerrillas loyal to Pol Pot encamped on the Thai-Kampuchean border. Peking's determination to thwart a Vietnamese - dominated Indochinese federation has provided a significant back-up for Asean's own diplomatic efforts. Many observers see the key to the Kampuchean question lying in a resolution of the conflict between China and Vietnam.

Asean does not share China's enthusiasm for the Pol Pot regime. Singapore, in particular, has been attempting to persuade Prince Sihanouk, the deposed Kampuchean head of state, and Son Sann, a non-Communist, to join Pol Pot's "Democratic Kampuchea," thus giving it a more acceptable face. But so far none of the participants in what would become "a broadly based government" or a united front have shown much initiative in attempting to sink their vast differences.

And even if such an alignment could be stitched together, it will look dangerously cosmetic unless some guarantee can be offered that Pol Pot supporters will be disarmed so that genuinely free elections can be held after the Vietnamese leave Kampuchea.

This clearly worries Asean's Western allies, including the U.S. and Britain, which have so far failed to commit themselves on their attitude to a new anti-Vietnamese Kampuchean alliance, beyond welcoming it in principle.

Asean, in turn, has so far exhibited little enthusiasm for a proposal by President Ronald Reagan's Administration to "punish" Vietnam by vetoing international aid to Hanoi. The Americans would like to see a cutback of aid already committed through the United Nations Development Programme amounting to $118m.

Nevertheles, American support for Asean diplomacy has solidified under the Reagan Administration. The U.S. already has bilateral military assistance programmes for each of the five Asean members and is currently asking Congress to approve a total of $638.6m in "security assistance" for 1982, $50m more than this year.

The new U.S. Government is less squeamish than its predecessor over continuing to back Pol Pot at the UN, agreeing with Asean that a vacant seat formula would be a first step towards recognition of Heng Samrin. More political initiatives can be expected from both sides in the Kampuchean conflict. But most people expect the talks in Manila and in New York to be the first of very many before an acceptable solution is found.

## Australian strike ends

By Colin Chapman in Sydney

THE DISPUTE which has all but severed telephone and telex links between Australia and the outside world for 10 days and made interstate calls for the most part unobtainable ended last night when trade unionists at a series of mass meetings voted to return to normal working.

Services are still not restored, however, and the country's two major financial centres, Sydney and Melbourne, are totally out of touch with each other. Stock Exchange announcements could not be transmitted, and the Stockmaster price data service broke down. Services are expected to be restored to normal gradually.



## Marcos sweeps to victory despite boycott campaign

BY EMILIA TAGAZA IN MANILA

President Ferdinand Marcos of the Philippines has won another six-year mandate in yesterday's election—the country's first presidential election since 1969. The overwhelming victory was predicted, despite a nationwide poll boycott campaign mounted by traditional, moderate and radical opposition groups.

Preliminary returns indicate an 85 per cent vote for Mr Marcos, 63, who has been in power for 16 years. He was pitted against 12 other candidates, none of whom had political stature, to enable them to whip up a credible campaign.

After casting his own ballot, Mr Marcos said he would stress the need for unity with the opposition in his new administration. He pledged to attend to economic and development matters.

During the run-up to the elections, Mr Marcos's supporters were more anxious about the boycott movement. The campaigners argued that the elections were "a meaningless farce and an expensive joke," but voters turned out anyway.

President Marcos . . . victory came as no surprise, despite poll boycott campaign

# Prime rate cut disregards Wall Street's gurus

BY DAVID LASCELLES IN NEW YORK

CITIBANK, New York's largest bank, and Bankers Trust joined the downward movement in prime rate yesterday by cutting their rate from 20 per cent to 19½ per cent, so highlighting the decline in U.S. interest rates which has now entered its sixth week.

Although this long-awaited slackening of money costs has brought sighs of relief both in the U.S. and abroad, it flies in the face of what Wall Street's gurus have been predicting for months (and in many cases still are).

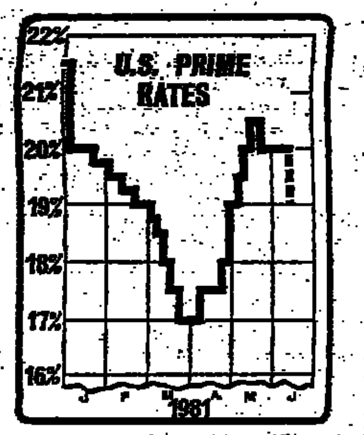
They have said that while interest rates will be volatile, the basic trend is still up. For once, the market seems to be ignoring their gloomy prognostications — a sharp change from only a month ago when just a twitch of an economist's eyebrow could wipe billions of dollars off bond values. Some people see that as a sign of the strength of the present rally, others as mere market fickleness.

Dr Henry Kaufman: puzzled by market behaviour

The best-known economists, like Dr Henry Kaufman at Salomon Brothers and Dr Albert Wojnilower at First Boton, have been puzzled by what has been going on in the markets, but are basically unmoved by the drop in interest rates, sticking to their belief that U.S. economic and financial ills, particularly inflation, are now so profoundly ingrained that it will take years of serious effort on the fiscal and monetary policy fronts to put them right.

Only this week, Salomon produced a deeply pessimistic report about the U.S. budget, predicting that the deficit in fiscal 1982 (which begins in October) could be $55bn-$65bn compared to congressional projections of $38bn. The report says that federal spending is on such a fast track that Congress will be unable or unwilling to curb it, short of perhaps scaling back on the new commitment to defence spending.

If Salomon is right, the 1982 deficit will show virtually no improvement over 1980 or this year when deficits in the $55bn to $60bn range were held to have had a serious impact on inflation.




Mr Alan Lerner, the money market economist at Bankers Trust, who has been an unremitting pessimist, says there may be some superficial improvement in interest rates which could bring the federal funds rate down to 13 per cent-15 per cent over the next month or so, from its recent 18 per cent-20 per cent level. But like many economists, he says this is merely a response to the weakening of the economy and lower credit demand. Nothing fundamental has improved.

Another staunch pessimist, Mr Philip Braverman at Chase Manhattan, still believes that credit pressure could build up again during the summer to push interest rates back to the record levels they set in April, or even higher.

Even Mr William Griggs and Mr Leonard Santow, the money market specialists at Schroders, who have generally been less gloomy, remain cautious.

"Whether or to what extent this improvement is fundamental and therefore sustainable over a long period is an open question," they cay in their latest report.

One of the few optimists is Mr Robert Sinche at Bear Stearns who thinks interest rates have entered a cyclical decline. He believes that while the Government will have troubl in cutting back its borrowing requirement, the impact will be more than offset by lower inflation and a healthier pattern of credit demand.

Wall Street's willingness to shrug off the experts' warnings is a major factor behind the decline in interest rates—and it seems to have something to do with the market's growing impatience.

# Canada will tighten up on business mergers

BY VICTOR MACKIE IN OTTAWA

CANADA'S Minister of Consumer and Corporate Affairs, Mr Andre Ouellet, said yesterday that proposed amendments to competition law would give the courts the power to stop business mergers.

Mr Ouellet, speaking to the annual meeting of the Consumers Association of Canada in Edmonton, said that legislation planned for later this year would also give the courts the option of permitting a merger if certain safeguards were introduced to maintain competition.

Approval for a merger would be made conditional on certain assets being sold off or on a reduction of tariff or quota protection, the Minister said.

Mr Ouellet said the goal of the new legislation would be prevention rather than cure. Companies involved in a merger would have the opportunity to stop a transaction before they became liable for penalty.

The legislation would make it clear exactly what type of practices were being outlawed. Regarding mergers, for example, the law would stipulate that any amalgamation resulting in a company with a market share in excess of a stated percentage would automatically be deemed to reduce competition significantly.

The court would then decide whether the merger should be stopped or allowed to proceed with safeguards.



# Slight rise in industrial production

By David Buchan in Washington

INDUSTRIAL production in the U.S. grew a modest 0.3 per cent in May, the Federal Reserve Board reported yesterday. But the gain was not seen as running counter to official forecasts of an economic slowdown this summer.

More than half the rise stemmed from a speed-up in car production. Detroit was assembling cars at an annual rate of 7.3m units during May, up from 6.8m in April.

Car sales are slightly better than at this time last year, but Fed officials believed the reason for the increase was to build up stocks to tide the industry over the summer when it closes many lines to switch to new models.

The other indication of a sluggishly moving economy was the Fed's downward revision of its early output estimate for April, from 0.4 per cent to 0.1 per cent. This left the industrial production index in May standing at 152.8 (1967 was the base of 100)—which was where the Fed believed it stood in April until revising its figures.

However, the May 1981 level was 6.1 per cent higher than in May last year, when the U.S. economy plunged into its short and sharp 1980 slump.

The Reagan Administration has forecast that the economy will slow down in the second and third quarters.

**William Chislett** in Mexico City assesses the resignation of Sr Jorge Diaz Serrano

# Pemex chief pays a high price for cheaper oil

THE DEPARTURE of Sr Jorge Diaz Serrana, the head of Pemex, the Mexican state oil concern, and the chief architect of the country's phenomenally successful oil policy, has brought to the surface many of Mexico's political and economic problems.

Sr Diaz Serrano, who in just 4½ years tripled output to 2.5m barrels a day (b/d), quit after provoking a storm with his decision to cut Mexican oil prices by $4 a barrel to $30.60.

Ostensibly, Sr Diaz Serrano went because, as he said in his letter of resignation, he did not want to be "an element of discord" in the economic cabinet, which was furious at his decision.

But the real reason was political, not technical. The decision to cut prices was merely the final straw for his political enemies, and gave them the chance they had been looking for to thwart his presidential ambitions.

Sr Diaz Serrano's departure has highlighted the fact that no other oil producer views its oil with such nationalistic fervour as Mexico. Indeed his mistake seems to have been to have put Mexico in a position which could be construed by the country's powerful nationalistic lobbies as bowing to pressure from foreign oil companies.

Sr Diaz Serrano, a single-minded personality, with a business and not a political background—he was a wealthy private oil contractor before he took his first Government job at Pemex—responded to market forces. But his less realistic colleagues thought the price cut was unnecessary and that he had misjudged the market.

Even if a price cut was necessary, they argued, there was the other option of cutting exports, which would prolong the life of the hydrocarbon reserves, and keep prices up.

Sr Diaz Serrano argued that even if Mexico reduced its exports by 1m b/d—they are now some 1.4m b/d—this would not have made a dent in the world market.

By the end of this year, President Jose Lopez Portillo will personally name his successor. Sr Diaz Serrano, a very close friend of the President, had built a powerful base at Pemex, and was considered a front-runner for the presidency. He is now out of contention.

Sr Lopez Portillo is said to have approved the price cut decision, but when faced with protests from the industry, finance and planning ministers —who claim they were not sufficiently consulted — the President decided the political price for continuing to support Sr Diaz Serrano was just too high.

**The resignation of Sr Diaz Serrano, left, has highlighted the nationalistic fervour with which Mexico views its oil. His decision to cut oil prices gave his political enemies the chance they had been looking for to thwart his ambitions. He is now out of the running for the presidency.**

The Government now faces three painful decisions. It can compensate for the lost income by increasing oil exports, step up its foreign borrowing or cut economic growth.

Mexico's economy is growing by 8 per cent a year in real terms, and the Government is determined to maintain this momentum to help to ease social tensions and incorporate into the work force the 700,000 people who enter the labour market for the first time every year. Some 40 per cent of the 18m labour force have no permanent full-time jobs.

Mexico has one of the best credit ratings of any developing country among international banks. It could thus raise its public sector borrowing requirements beyond the present programme of $5bn net. This would need special Congressional approval, which would not be too difficult to obtain, but it is a poltically sensitive issue.

Mexico's external public debt is already set to reach $39bn by the end of the year. Such a massive debt is still extremely heavy, even with oil as a collateral. Last year's debt service totalled $7bn, equivalent to 28 per cent of export earnings.

Equally sensitive is the option of increasing oil exports. Raising oil production in Mexico always sparks a lengthy nationalistic debate. The prevailing wind, to which the President has to trim his sails, is against an increase. There are also physical constraints on raising production, including bottlenecks in the transport system and discontent in the rural oil areas where Pemex rides roughshod over indigenous communities. Most important, any increase would make the economy even more dependent on oil.

Some 75 per cent of exports are now oil, while exports from the labour-intensive non-oil sectors are declining.

Mexico could, of course, make up for the lost revenue by increasing the domestic price of its petrol, which sells for 25p a gallon. But this would fuel inflation, already running at over 30 per cent.

The domestic price has not changed for four years and it is an even more sensitive issue than increasing exports. President Lopez Portillo went out of his way last week to stress that Mexico would not raise its prices at home.

Mexico originally subsidised domestic oil prices to encourage industrialisation, but this has now reached the stage where subsidies on domestic oil amount to an estimated $11.8m a day, based on the difference between domestic and international prices.

# WORLD TRADE NEWS

## China continues cash payments for plant imports from Japan

TOKYO—China has told Japan that it will continue to pay cash for machinery and equipment imports for two planned petrochemical complexes, withdrawing a previous request for deferred payment facility from Japan, Government officials said.

The notification means China's National Technical Import Corporation will implement its original contracts with about 10 Japanese companies, which once seemed to be in danger of cancellation.

The complexes will be in Nanking and Daqing.

The Chinese corporation last January told the Japanese companies it was suspending the construction of the complexes due to shortages of foreign exchange and energy.

Later, China decided to continue to import the machinery and equipment and asked for deferred payment facility of $600m for five years or so to finance the imports.

Toyo Engineering, head of the group of companies which includes C. Itoh, Mitsui Engineering and JGC Corporation, said the Chinese decision to continue to pay cash settles most of the problems between them.

Japanese companies are responsible only for exporting the machinery and equipment, with the actual construction of the complexes left for the Chinese to carry out, Toyo said.

Only minor questions, such as a change in the original plan for training Chinese experts for the construction and operation of the complexes, remain to be solved, the company said.

The Japanese Government is still awaiting detailed Chinese explanations about China's request for loans totalling $2.6bn to raise domestic Chinese funds needed for the construction of the complexes, Government officials said.

A working-level mission of the Japanese Government visited Peking last month to listen to the Chinese explanation of its loan request, which was not sufficient.

The requested loans would be used mainly for paying wages to Chinese workers and other domestic costs of construction.

The Mitsubishi Corporation said the Mitsubishi Industrial group expects Mr Liu Xhinghua, deputy general manager of the Chinese corporation, to visit Japan shortly to talk about the problem of compensation for the termination of its contract to build a steel rolling mill at Baoshan, near Shanghai.

Reuter

## Iran to pay ore project debts to India

By K. K. Sharma in New Delhi

**IRAN HAS finally agreed to pay India the $375m (£176m) it owes for the Kudremukh iron ore project in Karnataka state, the contract for which was signed when the Shah was in power in Tehran. Iran has withheld payment of the amount since his fall.**

**The project has been completed by the Indian Government which was paid only $255m by Iran out of the total of $630m it cost in terms of the contract signed in 1976. The project is meant to send iron ore concentrates to Iran for use in steel plants.**

**The plants are still not ready, and their construction has been considerably delayed following the disruption in Iran in the wake of the revolution. Shipments of the iron ore, which are to be spread over 20 years, should have started last year when the project was completed on schedule.**

**Shipments have never been made because Iran told the Indian Government of its inability to use the iron ore, thereby putting India in the position of having not only a surplus of concentrates for which there were no buyers, but also having to meet most of the cost of the project from its own resources.**

Ian Hargreaves in New York reports on an export triumph amid tough competition

## How GE won a $142m deal from Romania

*PRESIDENT* REAGAN'S recent authorisation of a $120.7m (£57.1m) Export-Import Bank loan for Romania has proved to be a triumph over adversity for General Electric, the U.S. exporter involved, in more ways than one.

"I understand that Giscard went personally to Romania and offered a country-to-country deal on counter-trade," says Mr Bob Frederick, head of GE's international operations. "It's hard to compete with that."

GE did compete, however, and won the deal to sell $142m of steam turbine generating equipment for a Romanian nuclear power station by matching the French proposal on counter-trade (barter) and doing its best to equal the French Government on financing too.

The deal provides for an 8 per cent Ex-im loan, which GE will eke out from its own resources to offer money at 7¾ per cent to the Romanians. The counter trade will mean GE selling a large quantity of Romanian industrial goods over an 11-year period, probably mainly in third countries.

The final hurdle for the company has been to get the Ex-im financing through the Administration and Congress (it is still not through Congress) at a time when the Reagan Administration was proposing a 33 per cent drop in the soft loan agency's 1982 budget.

GE is, naturally, joining with Boeing and other major exporters of capital goods to fight these cuts, which have recently been eased for fiscal 1981 as a result of the pressure.

"Exim has been in existence for 46 years and it has made a profit," says Mr. Frederick. "That is not widely understood. They are not going to save much by cutting it back, and we think they will probably look at it again."

For a major exporter like GE—the company has topped the U.S. league of exporters in five of the last seven years—the art of juggling the political with the commercial has become an increasingly important requirement. Last year, GE got 38 per cent of its $24.6bn sales and 42 per cent of its $1.5bn in net profits from international business. Total exports in 1980, by GE's domestic businesses, were $4.3bn, giving the company a $1bn positive trade balance.

Mr. Frederick is the GE executive with primary responsibility for maintaining this scale of contribution to a company which, with a new chairman Mr John Welch at the helm, is seeking to re-orient itself for a more aggressive exploitation of new technology. GE recently made major investments in the microelectronics field, the largest of which was the $235m purchase of Intersil, a West Coast manufacturer of MOS semiconductors.

Although these are early days to assess these shifts in strategy for GE, Mr Frederick is in no doubt that technology is the key to GE's future as a manufacturer overseas.

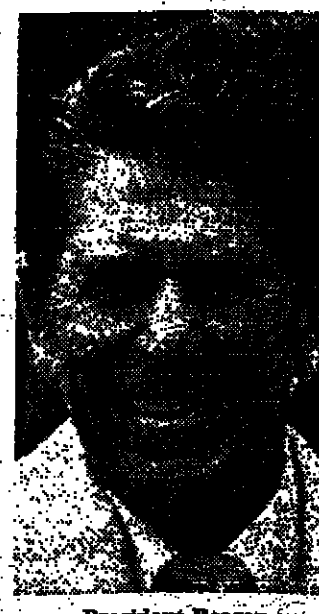
"Where we have special strengths in technology, we feel most confident about entering markets," he says. Turbine technology in the past provided just such a lead.

This explains, in part, why GE is such a small player on the West European stage—Government trust-busting zeal in the 1920s was another reason. The combination of high quality European competition in technology, plus nationalistic barriers, have not offered GE too many opportunities in Europe in the power generation field, which is GE's biggest single area of overseas activity. "France, Germany and Britain have been almost totally protective of their domestic markets," he says. That is one reason why competition for orders in Eastern Europe is so fierce.

The only satisfactory way through this maze, says Mr Frederick, is the joint venture. Hence, GE's link with Snecma of France, formed in 1975, to build aero-engines and the company's complicated manoeuvres in Italy on the power generation front. The Italian market, he explains, simply could not sustain four power generation companies, so GE merged its interests with those of the Government-owned Ansaldo in 1966.

These kinds of problems have been a feature of doing business in Europe for years, of course, but it is now obvious that the same conditions are fast developing in some of GE's more important markets in the developing world GE's three most important markets, in order of size, are Canada, Brazil and Venezuela.

Brazil is a good example of market where GE has run into European-style difficulties. GE was early into this market and for years has been the only company in the country building railway locomotives. So far as GE is concerned, the company behaved in model fashion, developing the local industrial base and using Brazil as manufacturing base for serving compatible markets, such as Mozambique.



President Reagan . . . personal intervention

But today says Mr Frederick, Brazil has encouraged two additional locomotive manufacturers to set up store, with the result that three companies will be contesting a market which, in GE's view shows no promise.

"Eventually this leads to the situation where none of the manufacturers is competitive because someone outside the country will have lower costs." That may not matter for the protected local market, but it ensures, if GE is right, that the Brazilian locomotive companies will not develop into significant international forces.

This kind of polite polemic over the misunderstood multinational is something GE finds itself contributing to rather frequently. "We have not been communicating on this issue well enough," he says.

The issues matter to GE more than most because the company remains extremely well positioned to take a driving seat in the industrialisation of developing countries.



## Midland Bank heads UK trade mission to Argentina

BY PAUL CHEESERIGHT, WORLD TRADE EDITOR

THE BRITISH bid to recapture part of its lost share of the Argentinian export market has been taken a stage further by a high-level mission of industrialists led by the Midland Bank. This is the first time a clearing bank has led a British trade mission.

The mission concentrated on opening the way towards capital project contracts, sales of capital equipment and expertise and the winning of orders for consumer goods.

The members, led by Mr. Malcolm Wilcox, chief general manager of the Midland, were directors from Babcock Contractors, Balfour Beatty International, Brockhouse, John Brown Process Engineering, Dalgety International Trading, Rendel Palmer and Tritton, Rowntree Mackintosh, Thomas Tilling and Unigate.

"Real business has already resulted," Mr. Wilcox said yesterday, following talks about market prospects with Latin American trade associations.

Rowntree Mackintosh, for example, is negotiating a licensing agreement with an Argentinian company for the manufacture of branded confectionery.

The British share of the Argentinian import market has fallen from around one-third at the turn of the century to about 3 per cent. The largest supplier is the U.S., but UK industrialists feel that their capital products and prices are fully competitive with those of the U.S. in most areas.

United Kingdom sales to Argentina last year were worth £172.8m, of which £96m came from machinery and transport. Argentine's sales to the UK were worth £114.3m, of which the largest segment was meat.

The Midland mission follows visits to Argentina by Mr Peter Walker, the Minister of Agriculture, and Mr Cecil Parkinson, the Minister for Trade.

It reflects the extensive investment programmes under way in Argentina, despite recent economic difficulties and a 23 per cent devaluation of the peso earlier this month.

Argentina is expected, for example, to spend up to $30bn over the next 20 years on power development projects while priority is being given to further exploitation of agriculture, already the country's main export earner, through improved processing, storage and distribution.

## Soviet Union turns to Brazil

BY HUGH O'SHAUGHNESSY, LATIN AMERICA CORRESPONDENT

**THE SOVIET UNION is seeking to enlist Brazil as a partner in the construction of major capital projects in the Third World. This is likely to be at the top of the agenda when Professor Antonio Delfim Netto, the Brazilian Economy Minister, visits Moscow for talks next month.**

**The Soviet Union's desire for a partnership may however be jeopardised by their unwillingness to accept greater quantities of Brazilian manufactures, particularly textiles.**

**Moscow is understood to be particularly interested in collaboration with the Brazilians on hydroelectric and road schemes in Africa and Latin America. Moscow would provide generating sets and other machinery while the Brazilians would provide the civil engineering expertise.**

**For some years, and with mixed success, Russia has been seeking the export of hydroelectric plant to Latin America. Brazil has gained experience in Venezuela on the extension of the Guri dam, in Iraq with a big rail scheme and in Nigeria on a number of different projects connected with civil engineering.**

**In the Itaipu hydroelectric scheme, Brazil is collaborating with Paraguay in the biggest civil engineering process in the world.**

**Brazil has been active in exporting its civil engineering expertise as an aid to its balance of trade which is forecast to be in the red this year to the extent of $1bn (exports $24.5bn against imports of $25.5bn).**

**Brazil in the last few years has in general had a positive trade balance with Comecon with exports from Brazil running at about three times imports of around $260m a year.**

**Soviet officials visited Brazil recently to sell industrial licences and were reported to have been very surprised at the high standard of Brazilian industrial expertise and to have made few sales.**

## West German car makers hit out at Tokyo pledge

BY ROGER BOYES IN BONN

WEST GERMANY'S car manufacturers have criticised Japan's commitment to curb the growth of car exports as "too vague and not binding enough."

At the same time, Count Otto Lambsdorff, the Economics Minister, made clear during a cabinet meeting yesterday that Tokyo's pledge to restrain car export growth to 10 per cent this year—and to a similar level in 1982—was more along the lines of an informed prediction than a formal agreement. Bonn, which has been especially critical of the U.S.-Japanese "voluntary restraint" accord, has been at pains to point out that bilateral protectionist agreements are no solution to the Japanese challenge to European markets.

Bonn's soft-pedalling of the Tokyo talks, coupled with the criticism of the Car Manufacturers Federation, are seen as being of two-fold importance. In the first place, the Government is trying to head off criticism that the agreement-cum-prognosis has effectively sabotaged hopes for an EEC-Japanese agreement.

The EEC council had laid down that the Community should seek an agreement on cars "analagous" to that of the U.S.

Meanwhile the effect of the car manufacturers' sharp criticism is both to put pressure on Bonn to reach a more lasting accord—German producers are still concerned that Japanese cars intended for the U.S. will be deflected to Germany—and to signal to the Japanese that it is far from satisfied with the 10 per cent figure.

## Talks resume on interest rates for export credits

BY OUR WORLD TRADE EDITOR

INTERNATIONAL talks on revising the interest rate structure of subsidised export credits are being resumed with greater intensity. Within the next few weeks, the U.S. will be holding bilateral discussions with France, West Germany and the UK.

The U.S. has already held talks with Japan and Canada, while Japan is understood to have discussed the issue with Australia.

The U.S. is attaching considerable importance to these talks as preparation for an attempt later in the year to resolve a dispute which has soured relations with the EEC and aroused growing agitation in Congress.

The dispute centres on whether the pattern of interest rates for export credits, now running between 7.5 and 8.75 per cent under the terms of an international agreement reached in 1978, should be brought more closely into line with prevailing market rates.

With market rates in some countries running at twice those for export credits, the U.S. is anxious both to see the export credit rates lifted and a mechanism devised to allow them to move in tandem with market rates.

EEC Finance Ministers meeting in Luxembourg on Monday failed, as expected, to reach any agreement on changing the present system, but gave an impetus to work at the official level to seek a solution of the problems with the U.S.

The EEC, tied to the lowest common denominator imposed by France, has so far refused to shift markedly towards the U.S. position. In Luxembourg, M Jacques Delors, the new French Finance Minister, apparently maintained the basic position of the Giscard Government, but indicated that France would consider a rise in interest rates as part of a wider package.

Such a package would include agreements on the use of mixed credits—the mixing of aid and commercial credits to give a lower effective interest rate to the borrower, on the level of credits for richer countries and on credits for sectors outside the existing international agreement.

## Biffen urges 'crusade'

BY OUR WORLD TRADE STAFF

THE UK Government yesterday resumed its campaign to free international trade in services when Mr. John Biffen, the Trade Secretary, told a Helsinki audience that if world trade is to recover momentum in the 1980s "a crusade" is needed.

"As the Western world moves towards a more service-based economy as it is doing at present, the importance on non-tariff barriers and barriers to invisible trade will grow in importance," he said.

The statement emphasises the common intention of the U.S. and the UK to work for freer trade in services although no approach to the problem has yet been defined. The Reagan Administration has made open trade in services a priority.

But Mr. Biffen also reflected the irritation with Japan, widely spread in the EEC and the U.S. Non-tariff barriers are springing up to replace tariff cuts made after long negotiations in Gatt, he said.

**Do you know about Viceroy's engine?**

The new Vauxhall Viceroy is built around a remarkably smooth 6-cylinder 2.5 litre engine, that produces 114 bhp. It incorporates features like hydraulic tappets to reduce maintenance, and is designed to give high efficiency and silky power.

**Do you know how Viceroy performs?**

Viceroy has a top speed of over 110 mph and it reaches 60 mph in just 11.5 seconds. At motorway speed it's practically silent because executives like to hear themselves think. But although it's a luxury express, Viceroy isn't profligate. At a steady 56 mph it can achieve 33.2 mpg.

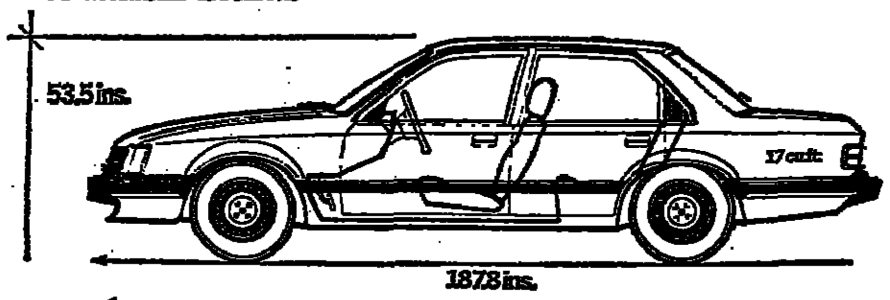
**Do you know that all Vauxhalls are praised for their sheer driver appeal?**

We see no reason why company executives shouldn't enjoy their driving. All Vauxhalls have excellent handling. It's designed in, and the new Viceroy is no exception. With independent front suspension with MacPherson struts, coil springs and a refined live rear axle, located by four trailing links, Viceroy gives a smooth ride and precise, light steering.

Its roadholding puts Viceroy in the forefront of cars in this class. We can arrange for you to try a Viceroy soon, to prove it for yourself.

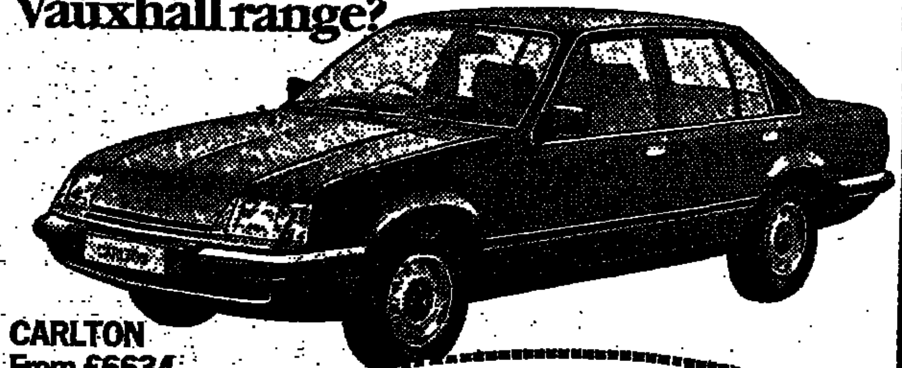
**Do you know about Viceroy's spaciousness?**

Viceroy is long, sleek and low. And its interior space makes four or five top people very comfortable. But Viceroy is still compact enough to hustle easily through heavy traffic. We can arrange for you to see for yourself. Just contact your local Vauxhall dealer.




# If it's your job to know about cars, how much do you know about the new Vauxhall Viceroy?

**Do you know where Viceroy fits in the Vauxhall range?**



CARLTON
From £6634


VICEROY
£8545

THE ROYALES
From £11,617

Viceroy is designed to complete the Vauxhall top of the line executive range. It slots very neatly between the Carlton 2000's starting at £6634 and the Royales starting at £11,617. It also means that Vauxhall now have five entirely individual cars in this sector, including the roomy Carlton Estate. Most manufacturers just offer you different engines and different specifications. Vauxhall offer you different cars.

**Do you know about Viceroy's luxury specification?**

Naturally a car in this class is designed to pamper its driver. Viceroy is no exception. There isn't room here to detail all the features. For that you'll need the new Viceroy brochure, but here are a few items to tempt you.

| POWER ASSISTED STEERING | CENTRAL DOOR LOCKING | ADJUSTABLE HEIGHT DRIVER'S SEAT | LAMINATED SCREEN | PUSH BUTTON RADIO STEREO CASSETTE PLAYER | QUARTZ CLOCK | ADJUSTABLE FRONT HEAD RESTRAINTS | REMOTE CONTROL DRIVER'S DOOR MIRROR | HEADLAMP "ON" WARNING BUZZER | 4-SPEED BLOWER FAN |
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**Do you know the value of Vauxhall's Master Hire Leasing system?**

Many people who have to buy and run company cars have found that the Vauxhall Master Hire Leasing system is a very effective method of controlling costs and improving cash flow.
For more information, ring (0582) 21122 Ext. 8332.

**Do you know what Sureguard is?**

Vauxhall's Sureguard is a comprehensive, optional, long-term warranty scheme that comes in addition to the manufacturer's warranty on new cars. Sureguard protects you against the cost and inconvenience of most mechanical breakdowns and replacement parts. In addition, it covers the cost of up to seven days car hire should it be necessary. All our dealers have details.

**Do you know about the new Vauxhall-Opel dealer network?**

You may already know that Vauxhall and Opel share the same parent company, General Motors, the largest motor corporation in the world. You may also have noticed that Vauxhall and Opel share many models in common.

To provide you with an even better service, the Vauxhall and Opel dealer networks are in the process of merging.

If you're running a Vauxhall fleet, this means there are many more dealers to give your business the attention it deserves.

**Do you know how competitive Viceroy is right now?**

Our dealers have good availability on Viceroy and are keen to give you the best deal.

They'll be happy to tailor a package exactly to your business needs. All you have to do is get in touch.

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VAUXHALL

# PLA loss up to £19.3m after 'grim year' of cuts

BY ANDREW FISHER, SHIPPING CORRESPONDENT

THE PORT OF LONDON Authority suffered a sharply higher loss of £19.3m in 1980, described by Mr Victor Paige, the chairman, as "a grim year" in bte annual report today.

This, against £11.1m in 1979, came after the Government provided nearly £15m toward the £21.7m cost of shedding more labour. The accumulated deficit rose from £17.9m to £37.9m.

The precarious nature of the PLA financial position has caused the Government to put up more finance. By December 31 the PLA had used up £116.3m of its borrowing powers, with £95.7m still undrawn.

Later this year the PLA will present a report on its plans to the Government. It is being helped by Price Waterhouse accountants.

Mr. Paige said business was reasonable in the first half, but then turned down sharply. Since then, he said, the economy had shown no sign of picking up. 'We see it bouncing along at a pretty low level."

Before the second-half fall-off the PLA hoped for reduced losses after interest charges to about £1m, from the £7.4m lost in 1979.

But the figure emerged instead at £12.5m, interest up from £8.5m to £10.9m, before adding on the net cost of losing 1,900 workers.

Since 1960 numbers employed in the Port fell from 29,250 to 5,800. This year the PLA wants cuts of 1,200, many already achieved.

It said productivity improved by a further 5 per cent last year, bringing total improvement since the 1977 incentive scheme to 28 per cent. But, said Mr Paige, "we've still got too many people."

On the Government decision to raise PLA borrowing facilities this and last year, he said: "We had in fact to depend on government money or cease trading."

In viability proposals now being worked out, he noted, "the basic financial structure of the PLA must be under question." Much borrowing was simply to pay interest.

Before the plan to restore its financial health is put to the Government about August, the PLA "could not comment" on how many more redundancies it wanted, nor on how much new investment would be needed.

# Reuters launches shipping service

BY ANDREW FISHER, SHIPPING CORRESPONDENT

REUTERS, the international news agency, has launched a shipping service based on its existing Monitor system of computerised market information.

The London-based agency has 72 signed contracts for the service, including about 40 already installed for UK and international subscribers.

Reuters believes there are some 400 companies which can be regarded as potential users.

The agency has had to overcome a lot of resistance from shipbrokers concerned that its entry into their market would erode their position. But several major shipbrokers have become subscribers and Reuters hopes to sign up more shortly.

Subscribers can use the system either as contributors—shipbrokers only put information in to the Monitor network—or as recipients. The basic cost for a full subscriber is about £10,000 a year from London, or about half this if information is only received and not contributed.

Reuters has initially designed its service for the oil tanker market. Using desk-top visual display units, it will enable market data to be spread rapidly to subscribers around the world.

The company already has well over 7,000 subscribers for its Monitor foreign exchange and money market system.

It plans to extend its shipping service into the bulk dry cargo market later this year, and is studying the possibility of developing a shipping and energy news service to complement the market data.

# New shares law proposals criticised

BY CHRISTINE MOIR

THE NEW clauses the Government wants to include in the Companies Bill, to cover disclosure of joint interests in shares, should be shortened and clarified, the Accountancy Bodies said yesterday.

The accountants were commenting on the consultative paper which outlined 22 clauses covering the problem of stakes in companies acquired by groups or individuals acting in agreement.

They are also concerned at the ease with which the provisions in the clauses could be avoided, as the Council for the Securities Industry noted in its submission.

The accountants say the clauses require companies to disclose agreements to purchase shares where they know such agreements exist. However, an individual with influence in a number of companies could carry out purchases within each company without the companies being aware of the other actions.

They aslo believe the clauses are unclear about the position of fund managers with discretionary powers over beneficiaries' investments. Such fund managers can be part of a group where another department carries out share purchases without the fund management division being aware of them.

"In view of the possibility of a two-year prison sentence, we think that it is important that the obligation in connection with discretionary arrange? ments are placed beyond doubt," the accountants say.

The Stock Exchange will not publish its submissions until it has attempted to discuss them in detail with the Department of Trade.

# Lambeth 'Merry Men' fetch £8,500

SALEROOM

BY ANTONY THORNCROFT

THE LONDON dealer Winifred Williams was an active buyer yesterday at Sotheby's auction of English pottery, porcelain and enamels, paying £8,500 for a set of six Lambeth Delft "Merry Men" plates of the late 17th-century, each carrying a rhyme; and £5,500 for a London "Blue Dash" charger of 1655, bearing the date.

The sale totalled £90,230. Among the enamels the Museum of London bought a London blue-ground patch box of about 1755 for £820.

Top price in the militaria sale was the £5,800 for a 1930s 12-bore sporting gun by Boss.

In the medical books a collection of about 950 recent books on the history of medicine made £2,400, as did a first edition of Harvey's "Exercises Concerning the Motion of the Heart and Blood."

At Monte Carlo on Monday night a desk attributed to Baumhauer, sold for £240,000 in 1974, a record then for a piece of furniture at auction, was bought for £500,000. It was made for the Duc de Choiseul, chief minister to Louis XV, and later belonged to the Earls of Malmesbury and to Lady Baillie, of Leeds Castle, Kent, who sold it in 1974.

Yesterday in Monte Carlo Sotheby's sold buckles and other accessories for £13,600. An amulet of the 13th-century bearing a portrait, probably of Richard the Lionheart, sold for £807.

In a silver sale in London, Bonhams sold a Charles II silver gilt casket of 1676 for £8,000.



# British Telecom plans new sales force

By Jason Crisp

BRITISH TELECOM is to set up a sales force with nearly 1,000 staff to sell telecommunications services to business. The announcement comes just a few months before the passing of the British Telecommunications Bill is due to take away its monopoly to supply telephone equipment.

According to British Telecom, each big customer will have its own account executive. The new sales force will be "visible, contactable and accountable."

One of the complaints by business has been that it is impossible to find anyone in British Telecom who would admit to being responsible for anything. A number of users have long wanted "account executives" who would be answerable to them and follow up their inquiries.

British Telecom management has wanted to introduce account executives since last summer, although it was concerned at the trade union response. Yesterday Sir George Jefferson, chairman of British Telecom, said there had been considerable discussions with the unions and an agreement had been reached.

The salesmen will be represented by the Post Office *Engineering Union, the biggest* union in BT and the Society of Post Office Executives, which represents supervisory staff.

The Post Office Engineering Union refused to comment on the sales team on the grounds that it was still a matter it was considering and discussing with British Telecom management.

The team of 950 will be partly recruited from outside British Telecom. Remuneration will not be within the conventional grading structure and will involve the payments of bonus

British Telecom said it would end the system whereby companies with major telecommunication problems would be faced with a committee of eight or nine representatives of the corporation.

Sir George said British Telecom was studying different market sectors such as banking, insurance, stockbroking, farming, and the travel and hotel industries.

The sales force will be phased in over 18 months, beginning in the London area.

● A misprint in yesterday's *Financial Times* said the Post Office delivered 56.3 per cent of first-class mail on the following working day. The correct figure should have been 86.3 per cent.

# Judge warns of threat to Bank rescues in Burmah Oil case

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A HIGH COURT judge said yesterday that if Burmah Oil's allegations about its 1975 rescue by the Bank of England are correct, the Bank can never mount such a rescue operation *safely again.*

The Bank's package of rescue measures included the sale to it of Burmah's 20 per cent holding in BP. Burmah is asking the court to set the sale aside.

Mr Justice Walton said every such rescue involved a package of measures. If it was right that the economic worth of each measure could later be evaluated in accordance with economic principles, the Bank could not possibly ever know where it stood.

He made his comments on the 11th day of the action, in which Burmah contends that the Bank took advantage of the company's weakness to get the BP shares for grossly less than their value.

The Bank, which paid £179m, says the price was fair. The current market valuation of the holding is nearly £1.2bn.

Summing up the Bank's case, Mr Donald Rattee, QC, said Burmah's argument was that, if it could show that the price the Bank paid was less than Burmah could have got if it had not been in economic distress, the deal could be set aside and Burmah could have unfettered possession of the shares for the price which had been paid for them.

Mr Rattee said that was a stratling proposition. Could it really be said, he asked, that in judging the fairness or conscientiousness of a transaction, one had to see if the price paid was one which would have been paid in purely hypothetical circumstances, in which the very factors that gave rise to the sale did not exist?

The price paid had been perfectly fair in view of the market price at the time. Even if it had not been, mere inadequacy of price was not enough to make a bargain unconscionable and fit to be set aside.

The case against the Bank could succeed only if it was proved not only that the price—seen in the context of the whole package and of the prevailing economic circumstances—was harsh or unreasonable, but also that the Bank behaved unconscientiously in the way it imposed the terms. Neither of those conditions was satisfied, said Mr Rattee.

Mr Leonard Hoffman, QC, for Burmah, said that if a rescue was to be mounted in the public interest, the opportunity should not be taken to strip Burmah of an asset and gain an advantage for the public purse.

The hearing was adjourned until tomorrow.

# Brixton police 'warned before riots'

BY LISA WOOD

A PROMINENT member of Brixton's black community told the Scarman Inquiry yesterday that he had informed police of his serious concern about mounting tension in the area two weeks before the riots began in April.

Mr Courtney Laws, director and clerk to the Trustees of Brixton Neighbourhood Council, told the inquiry about his activities in Brixton before the night of Friday, April 10. He described what happened that night as "hell let loose."

The Thursday before the disturbances, Mr Laws spoke to PC John Brown, one of the two home-beat officers in the area. "Constable Brown was very worried, like me. We both have to meet people on the frontline."

Mr Laws met senior police officers on the Friday after the first rioting, sparked off by an incident involving three police officers and a stabbed black youth. He said the black community was very angry because the youth had not been taken to hospital immediately. Some believed "he was deliberately left to bleed to death," Mr Laws said.

The police told Mr Laws about the incident and explained what had been done to help the youth. They asked him to dispel the rumours about the incident.

"I agreed to help, that is my role," said Mr Laws. He asked the police to reduce policing levels in the area. "The police took account of what I said, but said they had to maintain law and order."

However, on Saturday there were rumours in Brixton that the youth had died. Mr Laws said action should have been taken by the police to allay fears over the youth's condition.

"If the police had acted quickly and promptly in this matter we would not have had this riot at this particular time. I cannot say that it would not have happened at all, but the rumours that followed made it worse."

Mr Laws said that on the Saturday police vehicles were "rushing around, making a noise, but there was no evidence of a co-ordinated effort by the police to arrest looters and protect property."

# BPC re-organised in search for profits

BY JAMES McDONALD

THE British Printing Corporation has been re-organised into six operating divisions as part of the plan by Mr Robert Maxwell, the chief executive, to make the group profitable.

Each division will have a BPC board member as managing director, with Mr Maxwell as chairman of each division.

The new divisions are British Gravure Corporation; British Communication and Information Corporation; British Packaging and Labelling Corporation; British Security Printing and Business Forms Corporation; British Web-Offset Corporation; and Group Publishing Division.

As part of the re-organisation BPC's corporate head office in Great Queen Street, Covent Garden, will be changed to Headington Hill Hall, Oxford, from June 29. Its registered office will move to Oxford at the same time.

All other London activities of BPC, mainly comprising the new publishing division, the sales offices, the group's printing sales company, and the pensions department, will move to Holywell House, Worship Street, Shoreditch.

Holywell House is held on long lease jointly by BPC and MEPC. It already houses the BPC Security Printing Division and Pergaman Info Line.

The British Gravure Corporation division of BPC will include Clarke and Sherwell; Purnell and Sons; Sun Printers; Waterlow and Sons; and Fell and Briant.

Its aim, said BPC, "is to enlarge its place in the periodical printing market and recapture a substantial proportion of some £50m of business lost by the British gravure industry to competitors in Switzerland, Germany, France and Italy."

# British Gas restores 'grace days' to industry

By Hazel Duffy, Industrial Correspondent

THE British Gas Corporation has agreed to reinstate the seven-day "period of grace" for the payment of accounts by contract customers after complaints by the Engineering Employers' Federation. The Electricity Council and British Telecom, however, refused to restore the grace period.

The federation wrote to the Chancellor of the Exchequer—the Treasury is responsible for nationalised industries — with supporting evidence from 100 of its members, to complain that the industries were using their monopoly power to improve their cash flow at the expense of the private sector.

Copies of the letter were sent to the industries' chairmen.

The federation said the period allowed by the nationalised industries for payment of accounts was incompatible with the regular monthly computer runs of engineering companies.

The Chancellor replied: "I hope that [the reinstatement of the period of grace] will remove one of the sources of irritation to the Federation's members."

British Gas said yesterday that it had reinstated the period of grace because "we are not insensitive to what is happening in the market place and the problems of industry. Nevertheless, we still believe that the system which was introduced into new contracts last autumn represented sound commercial practice."

It seems that customers had been regarding the last day of the period of grace as the due date for payment of accounts.

## Expanding Giro

THE National Girobank is relaunching its cash inpayments service under the name Transcash to allow people without bank accounts to use any of Britain's 20,000 post offices to pay bills. The bank charges a standard 30p fee.

## More Cashpoints

LLOYDS BANK, which last year dispensed £809m through its Cashpoint machines, has placed an order for 400 additional computer-linked cash dispensers with IBM. The new order will bring the total to nearly 2,000.

## BL corruption inquiry

POLICE investigating allegations of corruption at BL plants at Bathgate, Scotland, and in the Midlands flew to Malta yesterday to continue their inquiries.

**Christian Tyler** looks at the four months taken to settle the bill for February's coal dispute

# Cost of capitulation after showdown with the miners

IT HAS taken four months for the Government to settle the bill for its February showdown with the miners. If the cost in terms of political embarrassment was high—it took only two days of unofficial strikes to force a Cabinet capitulation—then the financial cost revealed yesterday is not small either.

The result is that grants to the coal industry have been more than doubled, to £550m this year, and the National Coal Board's external financing limit —whcih includes grant aid—is being raised by £231m to £1,117m.

Forty thousand miners struck, anticipating the national stoppage unanimously recommended by their union leaders to prevent the acceleration of pit closures and to force the Government to act against coal imports. They also wanted—by extension—to break the financial restraints set on the board.

To get them back to work, the Government said it would look at the board's financial framework "with a view to movement," and see what could be done to reduce imports. The Coal Board instantly withdrew the list of 23 pits that it said it wanted to shut in the present financial year at a cost of some 13,000 jobs.

The first stage of the settlement, therefore, was to reinstate the previous procedure for reviewing the lives of unprofitable pits. This is a protracted process. Its aim is to secure the union's consent to the board's own diagnosis of a pit's life. It involves long and butter argument about what is meant by an "economic" pit; but it has usually ended with the National Union of Mineworkers reluctantly consenting to closure.

Since the end of February, three pits that appeared on the original list have been closed by agreement: Lady Victoria in Scotland, Blackhall in the north-east and Morlais, half of a double pit, in South Wales.

Another three are up for negotiation: New Hucknall in Nottinghamshire, Lofthouse in North Yorkshire, and Orgreave in South Yorkshire. The last is in the heart of Mr Arthur Scargill's domain and the focus of fierce opposition. A large part of the grant increase announced yesterday will indirectly subsidise the "uneconomic" coalmines.

On imports, the unions have not secured their original target—an "irreducible minimum" of 1m tonnes a year. By agreement with its two biggest domestic customers, the Central Electricity Generating Board and the British Steel Corporation, and by continuing to subsidise its sales to them, the coal board aims to reduce total coal imports to 3½m tonnes this year and 2¾m next year, compared with 7½m tonnes in 1980-81.

The board hopes to negotiate BSC imports down to 2½m tonnes this year nd the CEGB's to well under 1m—an unexpectedly low figure—as contracts expire.

As Sir Derek Ezra, NCB chairman, was quick to announce yesterday, the board is at the same time doing unusually well with its exports, helped by the weakening of the pound, the Polish troubles, strikes in the U.S. and port congestion in New South Wales. He expects coal exports to climb from 4½m tonnes last year to 9m this, plus 1m tonnes of coke—a level not reached since 1965.

The board's new external financing limit of £1.12bn is £69m less than the increase in grants would imply. This reflects a decision to reduce overall borrowing—and hence the board's much complained of interest burden—by some substitution of grant for loan aid.

Since the February debacle, the Government has shown other signs of its good intent towards the industrl. Redundancy payments were raised in March to provide, at the maximum for a man of 55 with 35 years service, a lump sum and subsequent weekly payments totalling £42,137 over a number of years.

The Budget brought £50m worth of loans to industry to convert to coal-fired boilers. There have been 800 inquiries. There is to be a study of the feasibility of converting power stations in Northern Ireland to coal firing.

Finally, late last month, the Department of Energy gave important, but heavily qualified backing to the NCB's coal liquefaction pilot plant destined for Point of Ayr, North Wales. It is to contribute £5m towards the capital cost, on condition the board finds the remaining £30m from private sources.

# Oil 'heavies' who made Government waive the rules

**Sue Cameron** traces the struggle over N. Sea prices

THE MAJOR oil companies have taken some hard knocks over the last few years—chiefly from the Organisation of Petroleum Exporting Countries—but this week's $4.25 a barrel cut in the market price of North Sea crude suggests they have not lost the power to cow governments.

Neither the State-owned British National Oil Corporation nor the UK Government was keen to see North Sea oil prices cut by as much as $4.25 a barrel. But the big oil companies, desperate to stem mounting losses on their UK refining operations, argued forcefully that they needed some $5 a barrel off the North Sea price before they could hope to return to profitability.

They have shown none too nice a regard for government regulations and guidelines in their battle to have North Sea oil prices slashed. And they have prevailed.

What looks suspiciously like the rout of the Government admittedly has been tempered by two things: North Sea oil prices have been linked temporarily to those of Saudi Arabia, which are expected to move upwards soon — and, when they do, North Sea tariffs will follow suit. Also the cut in government revenues from the highly taxed North Sea crude has been mitigated greatly b the weakening of sterling against the dollar.

Still, the oil companies appear to have scored a powerful victory — whose swiftness surprised even them—over politicians and officials at the Department of Energy and at the *Treasury.*

The Government cannot justify the hefty cut in North Sea prices on the grounds that there will be a corresponding reduction in the prices of fuel oil for manufacturers, heating oil and petrol. Not a penny will be lopped off pump prices or heavy fuel oil charges.

The North Sea price cuts came into force on Monday, bringing the Forties marker crude tariff down from $39.25 to $35 a barrel. They followed long negotiations between BNOC and the big oil companies.

BNOC, the price-setter for North Sea crude, accepted that a reduction was necessary in the face of the worl doil glut and the losses the majors were making as a result. But it believed that a $2 a barrel price cut would be sufficient to encourage North African producers to lower their own, high prices and so bring back some unity to Opec tariffs. BNOC argued this would satisfy Saudi Arabia's desire to see Opec prices more closely aligned, Saudi would then cut back its own production and so end the oil glut.

The oil majors, however, a $2 a barrel cut would be nothing like enough to enable them to return just to a breakeven position on their UK refining operations. Shell, which has been losing £3m a week, stressed it would need a reduction of at least $4 a barrel in North Sea oil—on top of the latest round of price rises on its oil products, including petrol.

Shell threatened to cut its North Sea oil production, which would automatically have meant a reduction in government revenues.

British Petroleum went one better. It has been hit harder by the high price of North Sea crude than Shell because it lifts more oil from there—about 500,000 barrels a day, against Shell's 300,000 barrels. BP decided to cut its North Sea production from 485,000 to 430,000 barrels a day. Last week it cut still further to a mere 350,000 barrels a day.

Both moves showed a flagrant disregard for the Government and its guidelines on the North Sea. Every three months the Department of Energy gives production consents to companies operating in the North Sea. These lay down production levels for the quarter and are a condition on North Sea production licenees.

BP obtained the department's approval to go down from a production level of 485,000 barrels to 430,000 barrels a day, a cut of 11 per cent.

But BP did not obtain any approval for the further cut to 350,000 barrels a day. It protested that it could not produce North Sea oil at such a high level and sell it all at $39.25 a barrel.

Now that the price of North Sea crude has been cut by the oil companies' required $4.25, BP is raising production levels to 430,000 barrels a day. And Shell has lifted its threat to lower its production rate.

BP could have sold its refining arm, BP Oil's North Sea crude at the spot market price of about $33 a barrel. But had it done so it still would have had to pay tax on the official rate of $39.25. And the marginal tax on North Sea oil—as BP frequently pointed out—is running at over 90 per cent. Because foreign countries are refusing to give BP affiliates full tax relief on what they regard as "overpriced" North Sea crude, the effective marginal tax rate on BP's North Sea *Forties Field* has been running at over 100 per cent.

But it seems there would have been nothing to stop BP selling North Sea crude at spot market prices to, say, Shell and paying tax only on the actual price charged. Shell could have returned the compliment.

The Treasury at least can take comfort from the fact that although a $1 a barrel cut in North Sea crude prices reduces government revenues by an estimated £200m, the exchange rate is on the side of the Government. In February, when the pound was worth $2.35, the cost per barrel of North Sea oil at the marker price of $39.25 was £16.70. But with the pound down to $2 and the North Sea crude price down to $35 a barrel, the cost per barrel is now about £17.50. So the Government is still on the right side of the line.

# Fresh start for Lloyd's Bill urged by MP

By John Moore

LLOYD'S of London should consider withdrawing its Bill of Parliament for improving self-regulation, a Conservative MP has urged.

Mr. Robert McCrindle, MP for Brentwood and Ongar and parliamentary adviser to the British Insurance Brokers Association, claims there is another, increasingly attractive course of action open to Lloyd's.

He suggests it might choose to seek a vote from its 20,000 members against two important amendments required by a House of Commons committee for inclusion in the Lloyd's Bill.

The Commons committee ruled that the Lloyd's Bill should be amended to provide for complete divestment between brokers and underwriters, and preclude managing agents—which run underwriting syndicates—from acting as members' agents, the group which introduce members to those syndicates, because of conflict of interest.

The Lloyd's brokers, who are represented in the British Insurance Brokers Association, oppose divestment and both brokers and underwriters are opposed to the divorce of managing agents from members' agency work. They are worried about the commercial implications of the Parliamentary decision.

Lloyd's plans to put the matter to the vote among its 20,000 members. Mr McCrindle said that once the vote against the two Parliamentary proposals had been obtained, Lloyd's should withdraw its Bill voluntarily, so it could mount a substantial explanatory campaign with a view to re-presenting the Bill in the next Parliamentary session.

He said yesterday that Lloyd's would have realised the necessity to take MPs "slowly through the intricacies of their procedures."

He added there is "no guarantee that a further committee of MPs would not reach the same conclusion but by that time the members of Lloyd's would have been anticipating having to live with the new situation."

In political circles there is growing unease that Lloyd's is "guiding" its members on which way to vote and underwriting agents are urging their members to vote against the divorce issue. A free vote on the parliamentary amendments is not likely to be conducted.

Some MPs feel the House of Commons committee may largely disregard the outcome of any vote if there has been heavy lobbying by the underwriting agents or brokers against the required Parliamentary amendments.

# Britain and France sign £500m electricity deal

BY RAY DAFTER, ENERGY EDITOR

AGREEMENTS FOR a £500m cross-Channel link between the British and French electricity supply systems were signed in Paris yesterday.

The deals clear the way for the laying of eight cables and the trading of power between Britain and France. The link will have a capacity of 2,000 megawatts—roughly the same as a large power station—and should provide consumers on both sides of the channel with increased security of electricity supply, the CEGB said.

The electricity authorities plan to start using the link in 1985. Initially the Central Electricity Generating Board will supply Electricite de France with electricity during the winter nights and will receive electricity in the daytime in the summer. In addition, the authorities intend to trade electricity day-by-day whenever there is an economic advantage.

Time differences between the two countries mean their peak electricity consumption comes at different times, allowing maximum demand to be met by cheaper cross-Channel supplies. All profits from the arrangement will be shared between the CEGB and EdF.

Under the agreements signed yesterday by Mr Glyn England, chairman of the CEGB, and M Charles Chevrier, director-general of EdF, each utility will meet the cost of four cables and one of the stations needed on either side to convert the direct current in the cross-Channel link to alternating current.

The CEGB received planning permission to construct its converter station at Sellindge, near Folkestone, Kent, at the beginning of April. This followed a long campaign by local residents to have the converter built at Dungeness—already the site of two power stations—rather than at Sellindge.

Construction work will begin in September.

The French converter station will be at Sangatte.

A small 160 megawatt direct current link has operated between England and France since 1961. However, supplies through this line have been constantly interrupted as a result of ships' anchors fouling the submerged cable. To avoid similar problems with the new link, the cables are to be buried 1.5 metres deep in the sea bed.

# Gas field contracts awarded

By Our Energy Editor

BRITISH GAS has awarded contracts worth £20m for the detailed design of at least eight offshore platforms which will be used in the development of the *Morecambe* gas field.

The contracts cover the detailed design engineering and post-design services relating to the central processing platform, the accommodation platform and six drilling platforms which will be used in the initial development of the field, 28 miles off the Lancashire coast.

Matthew Hall Engineering will design the process and accommodation platforms while Worley-Atkins will work on the drilling structures. The contracts are scheduled for completion next year.

The whole Morecambe Field project is expected to cost £1bn. The field, discovered and owned by Hydrocarbons Great Britain, a British Gas subsidiary, contains an estimated 5 trillion (million, million) cubic feet of gas.

British Gas is planning to exploit the field on a seasonal basis. Most of the production will be in the winter periods of peak gas demand.

When Morecambe is flowing at full rate during the second half of this decade, it will be capable of meeting more than 10 per cent of the Gas Corporation's projected peak demand. British Gas plans to begin extracting gas is 1984. Work has already started on the preliminary civil engineering work associated with the construction of a gas reception terminal near Barrow-in-Furness.

# Exploration licences boost onshore petroleum search

BY RAY DAFTER, ENERGY EDITOR

THE GOVERNMENT has given a further boost to the search for onshore oil and gas by awarding 10 new petroleum exploration licences.

The licences, issued mainly to independent oil groups, cover 3,354 sq km of land in England and Scotland. Companies are only allowed to conduct a prospecting and geological survey. The licensees may not drill for oil, but can sink a well to 350 metres

If this preliminary exploration looks promising the companies can seek production licences to continue their searches.

Last year onshore production amounted to 240,000 tonnes. This was double the amount produced in 1979, because of the build-up of production from the British Gas/British Petroleum field at Wytch Farm, Dorset.

Licences were awarded yesterday to:

North Sea Petroleum in Fife (60 sq km); RTZ Oil and Gas, Candecca Resources, and Haoma North West Oil and Gas (UK), in South Yorkshire, Humberside, Lincolnshire and Nottinghamshire (157 sq km); Taylor Woodrow Energy and James Finlay, in Nottinghamshire (86 sq km); Bearcat Explorations (UK), in Gloucestershire and Wiltshire (490 sq km); Bearcat Explorations (UK) in Gloucestershire and Oxfordshire (500 sq km); Voyager Petroleum (UK), Denholm Exploration, and Graig Exploration in Wiltshire (300 sq km); British Sun Oil and Charterhall Oil, in Wiltshire, Oxfordshire and Berkshire (265 sq km); LASMO North Sea, in Berkshire, Oxfordshire and Hampshire (500 sq km); Carless Exploration and Cambrian Exploration, in Avon and Somerset (500 sq km); Marinex Petroleum, Hadson Oil UK Onshore, St Joe Petroleum (UK) and CanDel Petroleum (UK), in Avon, Somerset and Wiltshire (496 sq km).

# Support for energy group

BY MAURICE SAMUELSON

ABOUT 80 companies have so far joined a new organisation aimed at boosting sales of equipment and technology to increase energy efficiency. The British market alone is worth more than £1bn a year.

The inaugural seminar of the Conservation Equipment and Services Group was held yesterday. It was formed four months ago by the London Chamber of Commerce with the backing of the Energy Department, the British Overseas Trade Board and the Barclays Group.

The chairman of the seminar was Sir Derek Ezra, the National Coal Board chairman, who said the UK led the world in the technology of energy usage, for which there was growing export potential.

Mrs Jane Carter, head of the Energy Department's conservation unit, said the Government had supported the formation of the group because of fragmentation of the energy equipment industry among at least 30 trade associations.

# Commons question on De Lorean sales

By John Griffiths

MR JOCK Bruce-Gardyne, Tory MP for Knutsford and a long-standing critic of the Government - backed De Lorean sports car project in Belfast, plans to table questions in the Commons next month asking how many of the $25,000 cars have been sold and if any royalties have been paid to the Government.

He said yesterday it would be lunacy to give any more public funds to the project—in which the Government has invested £70.3m in grants and loans provided loan guarantees for a further £17m—and claimed that the chances of it ever making a return were minimal.

But Mr. Adam Butler, the Northern Ireland Minister, has defended the project in the Commons, pointing out that support for risk ventures is justified in Northern Ireland, where unemployment is much higher than elsewhere in the UK—currently more than 17 per cent.

De Lorean is not seeking any more UK Government funds. It is planning a fund-raising operation in the U.S. to develop the saloon car intended for 1983-84.

Mr. Bruce-Gardyne's remarks follow publication of criticisms of the car in Car and Driver, a U.S. motoring magazine. American motoring journalists were flown to Northern Ireland nearly three months ago to examine the stainless steel-bodied, 130 mph two-seater. Their response was regarded as crucial to the success of the project.

Mr Don Sherman, said the batch of cars tested "were abysmally short of any commercial standard of acceptibility" and they should not go on sale in the U.S. to preserve De Lorean's regutation.

But he concluded that, subject to the problems being remedied on full production cars, "it wil sell for $25,000, or more, in a steady stream."

De Lorean acknowledges the criticisms made of early production cars. Almost all were built on pre-production "soft" tools. De Lorean says that, with the production tooling in place, the cars coming off the line are to a much highere standard.

The first 500 production cars have just arrived in the U.S. and are being distributed to dealers.

● M yown driving experience of the De Lorean suggests that criticisms of the very early cars are wel lon the way to being met. During the course of an afternoon's drive—of a car which had covered 30,000 hard test miles—nothing fell off and nothing failed to work.

# Motorists being taken for a ride by 'hard sell' on shock absorbers

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

MOTORISTS ARE being talked into buying shock absorbers they do not need by some specialist exhaust fitting centres, the Automobile Association claims today. Up to £142 a car could be involved, it is said.

After complaints from AA members, the association's magazine Drive and Trail took a car with a damaged exhaust but serviceable shock absorbers to 14 fitting centres in London, Birmingham, Wolverhampton, Chesterfield and Sheffield.

Four said all the shock absorbers were worn or defective; three that the rear ones had failed and two that the front set needed replacing. Only five of the 14 replaced the exhaust without trying to sell shock absorbers.

"Could it be that company bonus schemes and the manufacturers' incentive schemes—trips to America, or colour televisions, etc., to topselling employees — are producing the oversell situation? Or is it simply lack of expertise?" asks the AA.

Kwik-Fit-Euro, the major exhaust centre business in Britain with more than 200 company-owned outlets, said yesterday that its fitters have instructions always to check shock absorbers after they are removed to ensure that the original diagnosis about their poor condition was correct.

Fitters also have to offer the customer the old shock absorbers to take away for independent testing.

Kwik-Fit-Euro gets about 12 per cent of its turnover from shock absorber fittings compared with 9 per cent for TI Midas, the joint venture company 50 per cent owned by Tube Investments which has 65 exhaust fitting centres in the UK.

Mr Rupert Crook, TI Midas managing director, said yesterday that all internal incentive schemes were designed not to encourage overselling by fitting centre managers. "It would be absolute folly for a company of our international standing to oversell," he said.

Drive and Trail says: "The irony is that—while fast fitting centres appear to be misusing a unique opportunity to help motorists—a quarter of the cars of testable age in Britain are running around with one or more defective shock absorbers."

Diagnostic techniques at the testing centres ranged from bouncing the car at each corner to pointing out imaginary dents in the exterior of shock absorbers or merely inquiring how many miles the car had covered.

The AA suggests that motorists might be better off opting for electronic diagnosis. The AA has equipment at its West Bromwich centre and the Standard exhaust centres have machines in about one in four outlets.

The AA advises drivers: "Don't be shy about asking for the old units to be returned to you—it's normal practice in the garage business. And the only way you can be 100 per cent sure about shock absorbers is to have them tested off the car by an independent expert."

The European Shock Absorber Manufacturers' Association said yesterday that tests since 1968 had shown that one-third of all cars due for MoT test had one or more shock absorbers requiring attention.

Tests carried out with the Department of Transport and the AA some years ago established that about 87 per cent of failures could be detected by visual means.

It did not condone high-pressure selling but asked that the report be treated in "a balanced fashion."

The association said it has commissioned a prototype suspension testing machine expected to become available in the autumn.

# Polish car relaunched at £2,449

BY OUR MOTOR INDUSTRY CORRESPONDENT

IMPORTERS of Polish cars today begin an attempt to claw back lost sales in Britain with a new name and one of the cheapest new cars available.

The Polski-Fiat name will disappear because Fiat feels the public is becoming confused about the linking of its name with Polski. It has aksed the Poles to stop using the name.

The UK importer, Automotive Distributors, is replacing it with FSO — derived from Fabryka Samochodow Osobowych, Poland's largest car factory.

Individual models will carry names and this year FSO will build up to a six-vehicle range.

This will involve extending it by introducing the Penza 1300 which, at £2,449, is cheaper than the Soviet Union's Ladas and most of the Skodas from Czechoslovakia, from which FSO expects to capture many extra sales.

Other models, based on the Fiat 125 or the Polish-designed Polonez, will have more attractive specifications and either no price increases or slight reductions.

Mr John Ebenezer, automotive's managing director, aims to take sales up from 3,989 last year to about 6,000. At the 1979 peak Polski-Fiat had 6,530 new cars registered. But, the company suffered in last year's price wars.

Mr Ebenezer wants to expand the 130-strong dealer network to 175 this year and to 200 by the end of next year, mainly by recruiting small-town family garages that have not sold new cars before.

Automotive is 60 per cent owned by Itoh, one of the top half-dozen Japanese trading houses, and 40 per cent by Tozer Kemsley and Milbourn, the UK-based international trading group. It also has the distribution rights in Britain for Mazda cars from Japan.

Poland's car output is running at about 150,000 a year from an industry employing about 20,000. Mr Ebenezer says that in spite of Poland's upheavals there have been no interruptions in car supplies to Britain.

# Increase in complaints about charities

BY JAMES McDONALD

COMPLAINTS ABOUT the administration of charities have increased greatly in the past six years. Most of the complaints refer to new charities.

The 1980 report of the Charity Commissioners for England and Wales, published yesterday, says the complaints usually reflected the inexperience of the trustees. However in a few cases a new charity appeared to be operating for the advantage of its promoters rather than the beneficiary class.

The report finds that the vast majority of charities are administered with honesty and integrity.

The report gives little guidance on the efficiency of the operation of charities. And the advice it does give is 10 years old.

On a complaint of excessive administrative expenses by a charity, the commissioners refer back to their 1970 report. This commented on the impossibility of laying down any hard and fast rules about the percentage of a charity's income which can reasonably be spent on administration.

In 1980 2,147 new charities were registered bringing the total of charities registered to 136,048.

# UK NEWS—PARLIAMENT and POLITICS

## Tory backbenchers attack extra aid for NCB

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THERE WAS strong criticism from Tory backbenchers in the Commons yesterday when Mr. Denis Howell, Energy Secretary, *announced that the Government* is giving an extra £300m in grant to the National Coal Board and increasing the board's borrowing limit from £3.4bn to £4.2bn.

The grant goes up to £550m, which is more than double the original sum. It is the final *settlement arising from the* clash between the miners and the Government in February which resulted in the withdrawal of the NCB plan for large scale closures of uneconomic pits.

Anxious Conservative MPs were worried at the effect that Mr. Howell's announcement *would have on the public sector* borrowing requirement. They sought assurances that the board would not use the funds to finance future wage increases for the miners.

The package was given a begrudging welcome from the Labour benches and Mr Merlyn Rees, Opposition energy spokes*man, suggested that the figure* was too low and could only be seen as a first step.

Replying to the Tory critics, Mr. Howell, who is one of the hardline monetarists in the Cabinet, emphasised the need for improved productivity and reasonable wage settlements in *the coal industry.*

"It is the Government's declared aim and determination through the operation of the external financing limits and their tight application to see that costs are reduced and efficiency increased," he declared.

"At the heart of it is the need to limit growth of labour costs."

He said it was planned this year to double exports of coal. We were now seeing markets opened up for British coal right across Europe from Finland to Romania.

But he added: "The period immediately ahead for the coal industry continues to be difficult, and the market will remain slack. I don't want to give any false illusions about that."

Mr Kenneth Lewis (C Rutland and Stamford) said that by any standards this increased the amount which the taxpayer would have to provide for the Coal Board. He wondered whether Mr Howell had sought assurances from the NCB and the unions that the money would not be used to meet extravagant wage claims.

There was a complaint from *Mr Trevor Skeet (C Bedford)* that the triumvirate of the NCB British Steel Corporation and British Leyland was now costing the taxpayer a total of £2.4bn a year. This was roughly equivalent to the sum spent on secondary education or the amount brought in last year by the petroleum revenue tax.

"When is it going to stop?" he asked. "We have one system of economics for the coalmines and an entirely different set of economics for the rest of the country."

Mr John Townend (C Bridlington) asked how the Government hoped to bring the PSBR down to a satisfactory level while still increasing subsidies to nationalised industries. He felt there was no case at all in the next wage round for the miners to be paid a bigger increase than in industry generally.

Another Tory, Mr John Ward (Poole) told Mr Howell that *private industry generally did* not share his faith in the ability of the NCB to control its finances.

He thought it was a matter of considerable concern to industry that they were being asked as taxpayers to shell out more money to keep the coal industry going. It would make more economic sense if the board started to sell off its vast stockpiles of coal.

Mr Howell agreed that this must be the objective. A high rate of investment in coalmining was worthwhile in terms of higher returns and it did provide substantial opportunities for equipment and machinery manufacturers in Brtain.

Mr Nicholas Lyell (C. Hemel Hempstead), urged the Secretary of State to lose no opportunity to emphasise that £74m was going "down the drain" this year towards keeping open *old pits which it had been* hoped to close. He thought there would be a far brighter future if the 13,000 miners in those pits would transfer elsewhere.

## Not a crisis Cabinet, PM tells Foot

By Ivor Owen

**OPPOSITION attempts to dramatise the significance of today's special Cabinet meeting on economic policy were rejected with disdain by the Prime Minister in the Commons yesterday.**

**She scornfully *dismissed* a renewed assertion by Mr Michael Foot, the Labour leader, that it will be a "crisis Cabinet," and assured MPs that it will be a relaxed occasion with Ministers able to "express their minds freely."**

**At the same time, Mrs Thatcher took advantage of an invitation from the Tory backbenches *to* keep alive the possibility of further legislation on industrial relations in the next parliamentary session.**

**In doing so, she gave another demonstration of her determination not to be inhibited by the repeated indications *from* Mr James Prior, Employment Secretary — a leading Cabinet "wet"—that the Government could find a "tougher" approach to the closed shop and other issues counterproductive.**

### Scoffed

**The position of the Cabinet "wets" was probed by Mr Foot when he scoffed at the Prime Minister's assurance that her colleagues will be able to express their minds freely at today's meeting.**

**He pressed for an assurance that no decision would be reached on providing more investment for British Rail until the matter had been debated by the House of Commons and all concerned.**

**Refusing to have her hands tied in this way, Mrs Thatcher insisted that she could give no such assurance. *She also stressed that British* Rail's external financial limit was higher in real terms than last year.**

**Mr Foot defended his use of the description "crisis Cabinet" by reminding the Prime Minister that there was a crisis in industry and a crisis over unemployment *with a total number out of* work which had not been seen for years.**

**It was *for this reason,* he said, that decisions on public investment covering projects like those advocated by British Rail were not taken in advance of a discussion by the House of Commons.**

**Mr David Steel, the Liberal leader, *referred to reports* that the monetarists were going to win at today's Cabinet and pressed for an undertaking that Ministers would not only be free to speak their minds but also to *make their own decisions.***

### Retorted

**The Prime Minister retorted: "Decisions are taken by the Cabinet as a whole and not by individual members."**

**Mr Martin Flannery (Lab, Sheffield Hillsborough) pointed to the fact that 250,000 people had supported the recent "people's march for jobs" as evidence of the concern in the country over unemployment.**

**"If there is no crisis in the Cabinet, there certainly ought to be," he declared.**

**To Tory cheers, Mrs Thatcher answered: "There *is certainly no crisis in the* Cabinet— although there may be a crisis in the Labour Party."**

**She agreed that the present level of unemployment was a serious matter. But the situation would not be helped by marches or the "ranting" of Labour MPs.**

**Mr Nicholas Winterton (C, Macclesfield), spoke of the closed shop, secret ballots and secondary action when he called for further legislation on industrial relations.**

**The Prime Minister told him that the Employment Secretary was receiving a big response to the consultative document issued by the Government on trade union immunities.**

**"We may have some legislation next session," she added.**

## Liberals and SDP agree principles for pact

BY ELINOR GOODMAN, LOBBY CORRESPONDENT

THE Social Democrats and the Liberals yesterday agreed the principles which they hope will underpin an alliance between the two parties at the next election. They produced a joint *statement in which, for the first* time, they set out their joint priorities, and went a small step down the road to saying how they would tackle the problems facing Britain.

The document, produced on thick parchment type paper with the names of the signatories printed on the front like the names on a marriage contract, basically amounts to an amalgam of the principles set out in the Liberal' Ten Point Plan for the Economy and the Social Democrats' Lime House Declaration—plus a commitment to discuss the practical arrangements necessary to "make an alliance effective."

Under the title "A Fresh Start for Britain," the two parties reaffirm their commitment to proportional representation, incomes policy, continued membership of the EEC and multilateral disarmament. But they do not attempt to spell out at this stage what precisely their policies would be.

Nevertheless, the agreement does represent a major step forward in the co-operation between the two parties which is so important to their electoral chances. Before it can be formally adopted by either party, however, it will have to *be put to their members.*

The Social Democrats are to have a unique series of two-day consecutive conferences in Perth, Bradford and London in October at which members will have a chance to discuss—but not vote on—the principles contained in the document and the party's own constitution.

**Liberal leader David Steel and Social Democrat Shirley Williams pictured before yesterday's Press conference to formally announce a pact between their political parties**

For Mr. David Steel, the Liberal leader, yesterday's agreement is particularly important. Since the idea of an alliance was first mooted, he has argued that he must have tangible evidence — that the Social Democrats share many of the Liberals' ideals—to put to his party conference this year if he is to carry the party along with the idea of an alliance.

Yesterday, Mr Steel said the agreement was a "basis for asking the Liberal Party to endorse the revolutionary proposition that we align ourselves in political terms, and in govern*ment, with the Social* Democrats.

Mrs Shirley Williams, the member of the SDP collective leadership whose name appears on the front of the document, also made it clear that a Social Democrat - Liberal alliance would regard acceptance of the principles in yesterday's statement as the price of its co-operation with any other party in the event of a hung parliament.

The document, which will probably be incorporated by Mr Roy Jenkins into his election address for the Warrington *by-election, begins by stressing* that the two parties have their own identities. It then goes on to identify their shared "concern" about the politics of confrontation and the deepening divide within the country.

Britain's resources, it says in a section which could have been *lifted from a Liberal manifesto,* cannot be harnessed for the common good without a fundamental change in our adverserial political system. The key to such a change it claims lies in electoral and constitutional reform.

Both parties are anxious to dispel the idea that they are offering the country nothing but soft options. The document says economic recovery will demand "tough decisions." A *spirit of "co-operation"* will, it says, be essential to provide the background "for an agreed strategy for incomes."

To put more flesh on the bare bones of the principles laid down, the two parties now intend setting up "joint commissions" on major areas of policy, where yesterday's *lished a common approach in* principle. These will take evidence from outside bodies. One will deal with employment and industrial recovery, and the two sides will try to agree on some form of incomes policy.

Yesterday, Mrs Williams said that they were already looking at whether the statutory approach was the right one or whether the taxation system could not be used to underpin an incomes policy.

The document ends by stating the wish of both parties to avoid fighting each other in elections. The Liberals have already agreed to back *Mr Jenkins in Warrington as the first practical* test of co-operation between the two parties, and commissions are to be set up to consider the practicalities of forming a wider alliance.

Mr. Steel acknowledged yesterday that as the two parties tried to work closer together, there would inevitably be some disagreements. *For the* most part, the principles set out yesterday were fairly uncontentious, and the putative alliance still has to tackle the potentially divisive issues like education and the approach to trade union legislation.

## Benn's supporters challenge Healey to fight for Foot's job

BY ELINOR GOODMAN, LOBBY CORRESPONDENT

SUPPORTERS OF Mr Tony Benn yesterday attempted to undermine one of the main planks behind Mr Denis Healey's campaign for Labour's deputy leadership by trying to *exploit the incipient policy dif*ferences between Mr Healey and party leader Mr Michael Foot. Turning Mr Foot's chal*lenge to Mr Benn* to stand up and fight him for the party leadership on its head, the far Left Labour Co-ordinating Committee challenged Mr Healey to fight Mr Foot for the number one job.

Given Mr Healey's differences with Mr Foot, they claimed, the *only proper course was for him* to oppose Mr Foot for the party leadership "in order to give members an opportunity to choose between the two distinct points of view that you each represent."

The LCC claimed that Mr *Healey's personal manifesto,* released yesterday, indicated a "welcome conversion" to Labour policies. But they argued the apparent change of heart had come too late to be taken seriously by the party members and trade unionists who, with MPs, will make up the electoral college. In an open letter to Mr Healey, the LCC renewed its attack on his record as Chancellor and detailed what they claimed were the main policy differences between him and Mr Foot.

Part of Mr Healey's strategy in the deputy leadership campaign stressed how he and Mr Foot together make up a balanced team. But yesterday, interviewed on BBC radio be*fore the release of the LCC letter, Mr Healey conceded that* he did not share Mr Foot's views on the key issue of unilateral disarmament. Mr Foot, he said, knew that and it would not stop them working together as a team.

Mr Healey yesterday chose his words carefully as he was *pressed to amplify some of the* points left vague in his document. But he made it clear that at present he did not go along with the party conference decision to include a precise commitment to withdrawing *from* the EEC in the next Labour manifesto.

Nevertheless, he said he could *not rule out the possibility of* Britain having to withdraw. His preferred solution however was the compromise, now favoured by Mr Foot, under which Britain would try to restore sovereignty to Westminster.

He said this "might well" involve repeal of Section 2 of the European Communities Act. *As it was, Brussels was exerting* a "quite improper and unacceptable" kind of control over matters, like aid to the British steel industry, which should be left to Westminster.

Mr Healey was particularly careful to avoid verbal booby traps when questioned about incomes policy.

He said that what he meant in his manifesto by "an alternative strategy" was a combination of "demand management, sensible money policy and co-operation with the trade unions to keep wage increases in line with productivity." He acknowledged that some Labour Party members were opposed to anything resembling an incomes policy.

*In an implied reference to Mr* Tony Benn, his rival for the deputy leadership, he said that some members of the last Labour government had been opposed to its economic policies "even when they were *members of it.*" The fact was that both the trade unions and the Labour Party had agreed at *their annual conferences that* they should talk together to try to deal with the problems of inflation.

Later in a speech in Bournemouth, Mr Healey gave an indication of the tactics he may use while Mr Benn is invalided out of the contest.

*He devoted a speech to attacking the Government* rather than heaping more abuse on Mr Benn.

## Labour MP proposes use of tape recorders in court

FINANCIAL TIMES REPORTER

MEMBERS OF the public who queue to attend major trials like the Yorkshire Ripper case would be able to tape them under a suggestion made by the Opposition in the Commons yesterday.

At present it is illegal to use tape recorders without the court's permission, but *Mr Peter Archer*, Opposition legal affairs spokesman, said it was time people were given the right to use them.

Only if the tape recorders were noisy or distracting witnesses should judges be allowed to ban them he said.

Mr Archer was opening the report stage debate on hte Contempt of Court Bill, aimed at clarifying the contempt laws.

Mr Archer said he was oposed to alowing tape recordings of proceedings to be broadcast as this could inhibit witnesses. Butthere was no reason why solicitors of parties involved in a case should not be abel to use a tape recorded.

Theye were more accurate and cheaper than a shorthand writer, said Mr Archer.

The public should also be free to use tape recorders, said Mr Archer.

Under existig low. said Mr Archer: "A foreigner who dropped into a court to see the excellence of our legal system, if he turned on a tape recorder, might find he had exposed himself to proceedings for contempt."

## Today in Parliament

**Commons**—Debate on Opposition motion on Monopolies Commission report on domestic gas appliances. From about 7 pm debate on Opposition motion on Armitage report on lorries, people and the environment. Remaining stages of the Town and Country Planning (Minerals) Bill.

**Lords**—British Railways (Pension Schemes) Bill—third reading. Wallerwang Collieries, Limited Bill, third *reading*. Debate on the *advantages of* EEC membership to the UK. Debate on Edinburgh road scheme.

**Select Committee**—Industry and Trade. Subject: European air fares. Witnesses: Laker Airways. Civil Aviation Authority. (Room 16, 10.45 am.) Transport Subject: transfer of the testing of heavy goods vehicles and public service vehicles to the private sector. Witnesses: Confederation of British Road Passenger Transport (Room 17 10.45 am.) Public Accounts Subject: qualification of certificate to HMSO accounts Witness: Controller of HMSO. (Room 16, 4 pm.) Transport. Subject: transportation in London. Witnesses: ASLEF, NUR; TSSA. (Room 17, 4.15 pm.) Treasury and Civil Service sub-committee. Subject: efficiency and effectiveness in the Civil Service.

## Boost for Healey campaign

By John Lloyd

MR DENIS HEALEY'S campaign to remain deputy leader of the Labour Party received a further boost yesterday when two union leaders pledged their support to him.

On the day of the publication *of his manifesto*, Mr Sid Weighell, general secretary of the *180,000-strong* National Union of Railwaymen, and Mr Bill Sirs, general secretary of the 100,000-strong Iron and Steel Trades Confederation, both made it clear they would expect their delegations to the party conference to vote for Mr. Healey.

In the case of the ISTC the issue is likely to be decided by the delegation, which in turn is likely to mean a vote for Mr Healey.

The NUR at its conference at St Andrews in two weeks' time *will be asked to approve a rule calling for conference to decide* the union's choice. If this is passed, the conference will vote on the available candidates for deputy leadership.

Mr Weighell, who was making a fraternal address to the ISTC's conference, hit out bitterly at "socialists born with silver spoons in their mouths"—a formulation he has used before, understood to be a reference to Mr Tony Benn.

He said, those whose "antics" had divided the Labour movement "should be left in no doubt that they are doing great damage to our cause." If they lost the next election for Labour *the ordinary* members of the movement "would never forgive them."

It would need hard work to convince the electorate that Labour should form the next government. "We are weak in the eyes of the people while we are at each other's throats. No electorate will entrust the nation's future to a party that cannot make up its mind," he said.

Mr Sirs, in a briefing during his conference, said: "I fully support Mr Healey on the basis that I support Mr Foot and the movement to bring some sort of solidarity in the Labour Party."

Mr Sirs said he believed the conference would vote for replacing the present electoral college system with one giving 50 per cent to MPs and 25 per cent each to local parties and trade unions.

# LABOUR

## Authorities braced for ambulance stoppage

By Pauline Clark, Labour Staff

MOST OF Britain's big regional health authorities expect a majority of ambulancemen to join today's national stoppage over pay, although action could be patchy in some areas where sizeable trade union branches have indicated they will be working normally.

In London, most ambulancemen are expected to defy their national union leaders' call for action, however, because they do not support the official strategy involving maintenance of emergency services.

London shop stewards, representing 2,300 ambulancemen, who led Monday's all-out strike in the capital, will meet today. But they have been asked to delay a decision on any further unofficial stoppage until national leaders have met to assess the impact of tomorrow's action and to consider their next step in the campaign against a 6 per cent pay offer.

National leaders also are expected to meet at the headquarters of the Advisory Conciliation and Arbitration Service today for exploratory talks.

Representatives of the coun*try's 18,000 ambulancemen* have rejected a pay offer tied to the Government's cash limits set for wage rises in the health service this year. They are pressing a 15 per cent claim and a demand for pay links with firemen and police.

Unions warned yesterday that industrial action could be intensified if health authorities carry out threats to pay only ambulancemen allocated to emergency duties during today's action. Four Northern authorities — Durham, Northumbria, Cleveland and Cumbria—were said to have indicated they would pay only those who carried out operational duties.

But major pockets of resistance to tomorrow's action were reported yesterday from the West Midlands, where 70 out of 680 ambulancemen say they will continue to work normally.

In Gloucestershire, about 100 out of the 1,200 ambulancemen employed by the South West Regional Health Authority are unlikely to take action. Another 135 under the Oxfordshire Area Health authority, 88 in Liverpool and some ambulancemen in Gwynedd, North Wales, are expected to defy the strike call.

## Southampton dockers to meet on pay

By Pauline Clark

A MASS meeting of Southampton's 1,600 dockers is to take place on Saturday following the breakdown of talks between union representatives and employers in the port's three-month-old dispute over dockers' pay.

Dockers have asked for an extra £16 a week in bonus payments which they claim could be partly self-financing and which represents a reduction in their original demand of 20 per cent to 17 per cent.

Employers dominated by the British Transport Docks Board yesterday rejected a second revised pay claim put forward by dockers' union leaders.

The docks board said yesterday its offer of an £105 a week basic wage increased from just over £98 a week was the maximum it could afford.

The 3,500 dockers on the Mersey are to hold another 24-hour strike, the fourth in three weeks, from the first shift tomorrow in protest at what they *regard as inordinate delays in* settling their annual pay claim which should have been implemented on May 1.

No resumed joint talks with the Liverpool Port Employers Association have been arranged so far.

The employers are insisting that any pay rise must be accompanied by changes in working practices, while the stewards are demanding a separate pay agreement before negotiations on reduced manning levels and mobility of labour.

● Six thousand production workers at Perkins of Peterborough, the world's biggest producers of diesel engines, have voted by more than 2-1 to accept a new pay deal.

The decision came yesterday from a secret ballot after shop stewards threatened to take industrial action unless they got a better deal. The offer, backdated to April 1, gives the men an extra £6.50 a week and concessions over clocking on.

## Union is first to win state aid for ballot

BY NICK GARNETT, LABOUR STAFF

PROVISION of Government money for union ballots has been successfully taken up for the first time. A grant of £4,069 has been made to the non-TUC Professional Association of Teachers.

The Certification Office, which investigates the suitability of claims made under the ballot money provisions of the 1980 Employment Act, accepted the association's application and the money has been paid.

The association, which claims 22,500 members in junior and senior schools, made the application under 4c of the Act's *ballot regulations* to cover the cost of electing its vice-chairman.

The size of the grant to cover the election of one officer indicates the cost to unions. The TUC is opposed to the use of Government money for ballots.

The national committee of the Amalgamated Union of Engineering Workers, involved in the biggest series of elections in its history, voted against using Government money.

Leaders of the Electrical and Plumbing Trades Union, who had said they were not opposed to the principle of using such money, have since said they will not accept Government cash.

The successful application by the Professional Association of Teachers reflects the fact that at least some non-TUC unions will take the money.

The Certification Office has three applications outstanding from non-TUC bodies — the Assistant Masters and Mistresses Association, the British Association of Occupational Therapists, and the Society of Chiropodists. The non-TUC Clearing Bank Union is due to make an application.

The Certification Office has refused three applications because they did not meet the terms of the act, from the Royal College of Nursing, the Guinness Brewing staff association, and the British Medical Association.

● The fifth annual report of the Certification Officer, published yesterday, says that at the end of last year 69 trade unions maintained political funds, compared with 73 for the previous year.

Figures for 1979 relating to 71 of the 73 unions show that these organisations reported 8.1m members contributing to political funds, which is equal to 81 per cent of their total membership.

There have been 56 trade union mergers between February 1976, when the office was set up, and December last year. A quarter of them involved the Association of Scientific, Technical and Managerial Staffs as the union to which they were transferred.

## All-out Civil Service strikes less likely

BY PHILIP BASSETT, LABOUR STAFF

ALL-OUT strikes in the Civil Service over pay looked significantly less likely last night after lay representatives of the Civil Service Union rejected a recommendation from the union's executive.

Yesterday's decision by a joint meeting of the CSU's section executive committees could have greater influence on *tomorrow's decision* by the major policy committee of the Council of Civil Service Unions than the relatively small, 46,000-strong union might be expected to have.

Militants in other unions—where the vote has been going against all-out action—expected the CSU to deliver an all-out vote. This would have given an overall majority for such a course when coupled with votes from the Civil and Public Services Association and the Inland Revenue Staff Federation.

However, those calculations now look shaky. The executive proposal in the CSU for all-out action was defeated by the votes of eight sections to six with one abstention. Instead, the sections carried, by nine to four with two abstentions, a motion committing the union to supporting further selective action.

The CSU is the first union in which the leadership's recommendation has been overturned, though after branch meetings yesterday the IRSF has swung marginally against all-out action.

The CPSA results yesterday morning showed 5,763 (22.8 per cent) in favour of further selective action, 12,030 (47.5 per cent) for all-out strike and 7,401 (29.4 per cent) in favour of settling. Meetings *yesterday seemed to confirm* these figures, with branches in the Department of Health and Social Security heavily in favour of all-out action, but the Department of Employment a little more mixed.

The Society of Civil and Public Servants' executive recommendation for all-out action was defeated in central London yesterday by about three to one. Voting overall is still running at about three to two against all-out action.

Some moderate union leaders are arguing for retrenchment —a scaling-down of the selective action to save money, *though this in effect might see* the end of the 14-week-old pay campaign.

● Scottish air traffic is likely to be badly hit today by strikes by air traffic control staff at the Scottish and oceanic air traffic control centres, which will continue until 7.30 am tomorrow, and at Glasgow, Edinburgh and Prestwick airports.

## Cement process workers to vote on revised offer

BY NICK GARNETT, LABOUR STAFF

UNION OFFICIALS decided yesterday to put out to ballot a revised pay offer to process workers in the cement industry whose principal companies are being hit by industrial action.

A delegate conference for the 7,000 process workers in the industry decided yesterday that the new offer did not warrant the calling-off of the action.

The ballot will carry no recommendation. However, a vote for rejection would be a vote for an all-out stoppage.

Representatives of 2,500 craft workers have been made the same revised offer and will hold a delegate conference on Friday.

The previous offer, to run for 12 months from May, involved an increase of 8.5 per cent on grade rates and allowances and the introduction of a 39-hour week on August 31.

The new offer does not alter these items. But the employers are proposing a 20-month deal with a rise of 10 per cent from February next year on top of the 8.5 per cent. A new settlement would then operate from January 1, 1983.

● In the main construction industry dispute, Mr Les Wood, general secretary of the Union of Construction, Allied Trades and Technicians, yesterday called for a further national joint meeting to try to resolve the dispute.

Only Ucatt of the four construction unions has accepted the offer. However, Mr Wood said he would be seeking further improvements in the offer.

## TUC in anti-racist drive

A CAMPAIGN to drive out racialism at work and the trade union movement was launched yesterday, with the publication of a TUC charter on equal opportunities for black workers.

The charter, "Black Workers," calls for a counter-movement against the activities of racists.

The TUC says there is overwhelming evidence that ethnic minorities "continue to face discrimination, are under-represented in skilled and professional occupations

## Steelmen call for EEC withdrawal

BY JOHN LLOYD, LABOUR CORRESPONDENT

THE *Iron and Steel Trades Con*federation, which was one of the Labour movement's staunchest supporters of the Common Market, yesterday voted by a large majority to campaign for withdrawal.

At the same time Mr Bill Sirs, the union's general secretary, called for the renationalisation without compensation of any British Steel Corporation plant hived off to private ownership, and for workers throughout industry to inform the confederation of companies "guilty" of using foreign steel.

*The union's* decision to oppose continued membership of the EEC—which is not binding on the executive—was taken against the leadership's advice and in spite of the fact that the confederation has sent a motion to the Labour Party conference calling for a referendum before withdrawal.

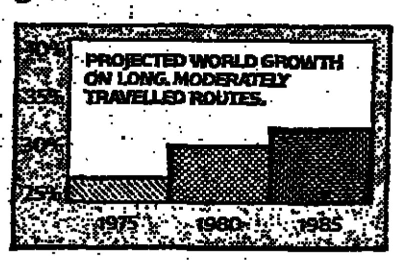
It takes the union out of line with TUC policy—which is also for a referendum before withdrawal—and raises the possibility of that policy being overturned at the TUC congress in September.

Mr Sirs' call for renationalisation without compensation has been made in response to the corporation's plan to sell half its shares in its engineering subsidiary Redpath Dorman Long and its consideration of further divestments.

Mr Sirs said: "we know that *as parts of BSC become profit*able the Government intends to sell them. Indeed, the bonus to be paid to Ian MacGregor, BSC chairman, will largely depend on the degree to which he is able to hive off sections of the nationalised steel industry."

# The times favour open skies. Open skies favour this unique jetliner.

'Open sky' agreements among nations are giving airlines greater freedom to introduce new routes. And around the globe, long routes are entering a rapid growth era.




Take long, narrow routes, for instance, that span *more than 3,000 miles* while serving only moderate numbers of passengers. In 1975, these routes accounted for about 25% of the total air route mileage. By 1985, the figure will be about 32%.

Airlines can capitalise on that trend if their fleets include a special kind of jetliner with plane mile and seat mile costs low enough to *maximise profitability over such routes.*

The jetliner that meets the demand best is the Lockheed L-1011-500.

## The right-size jetliner at the right time.

The L-1011-500, fourth and latest member of the wide body TriStar family, has a lot to offer everyone. Passengers will enjoy spacious comfort. And airlines will enjoy knowing that the L-1011 can deliver the greatest profits on those long, moderately travelled routes.

Size helps to make the L-1011 more profitable. Although just as wide as the other big three-engine jetliners, the L-1011-500 is a little shorter. That's a key reason why one of the world's foremost airlines concluded that this aircraft operates at plane mile costs 8 to 10% less than those of its nearest competition.

Twin-engine jetliners, even those at present being developed, lack the range to handle long routes. Besides, jetliners need at least three engines to be certificated for passenger traffic over long stretches of ocean.

That leaves the big four-engine jetliners. And with their high acquisition and operational costs, they can't handle the moderately travelled routes at the profit levels of the L-1011-500.

## Advanced technology advances profits.

The L-1011 remains the most advanced big jetliner because *it is uniquely able to accept the best of new technological advances as they develop.*

A new digital autopilot, for example, is now in service on L-1011-500 TriStars *flying for two major airlines.* A technological breakthrough, this Lockheed autopilot has no moving parts and is lighter, smaller, and 150% more reliable than other current systems.

*Then there's the L-1011's* lengthened wing span, resulting in less drag and significant fuel conservation. An exclusive system of computer-driven Active Control ailerons makes this possible. It also helps give the L-1011 the *smoothest flight* in the air.

Another technological feature exclusive to the L-1011 is its Flight Management System, which automatically selects the best speed and power levels, and then controls throttles in flight for the most economical use of fuel.

## L-1011-500: the plane for the times.

The times are favouring 'open skies'. And the increasing development of long, moderately travelled air routes will cause an ever-growing demand for a *flexible, long-range,* wide-cabin jetliner.

Its unbeatable combination of low plane mile and low seat mile costs makes the L-1011-500 the jetliner to fit the need.

In this fast-growing market, the airline with the competitive advantage will be the one with right equipment.

Isn't it time to take a good look at the Lockheed L-1011-500 TriStar?

**Lockheed L-1011 TriStar**

Energy review: Industries serving oil and gas development

By Hazel Duffy

# The flexibility of gas turbines

THE GROWTH in oil exploration and development in countries outside OPEC, and the plans to construct massive gas-gathering pipelines in the North Sea and perhaps in the Soviet Union, provides new opportunities for those industry sectors which service the oil and gas industries.

One such sector is the gas turbine, a product which has proved to be particularly suitable for oil and gas production and transmission applications. In terms of size, weight and fuel efficiency, it has been found a satisfactory solution for a range of tasks including gas compression and injection, crude oil pumping, and the generation of power.

While many sectors of engineering are in the doldrums — the victims of depressed demand, overcapacity and shifting international manufacturing locations — the gas turbine sector has enjoyed a relatively steady ordering pattern over *the past five years. Peak sales* were achieved in the early 1970s as a result of the growth in oil and gas exploration. This was followed by a more static period as the international economy adjusted to the huge increase in oil prices.

Total shipments of gas turbines in recent years, according to estimates made by the London-based Planning Research and Systems agency, varied between 17,300 MW in 1977, 15,300 MW in 1978, and 15,800 MW in 1980 — the same level as in 1976. These fluctuations have occurred mostly, however, as a result of the changing demand levels for gas turbines for use in power generation onshore. Demand for mechanical drive applications — which are predominantly used for compressor and pump drives associated with the oil and gas industry — have not changed significantly over the past five years.

**WORLD MARKET FOR GAS TURBINES**

| Geographic area | Total unit shipments 1976-1980 |
|---|---|
| North America | 767 |
| Middle East | 1,315 |
| Central and South America | 596 |
| Eastern Europe | 428 |
| Western Europe | 417 |

*Source: Planning Research and Systems*

The advantages of the gas turbine over other forms of *prime mover, says the industry,* are:

- lower installed capital cost;
- faster deliveries;
- fast start-up (5-10 minutes);
- ability to burn wide range of fuels from natural gas to crude or residual oil;
- lower maintenance costs;
- fewer operating staff required;
- ease of transport to remote areas of the world.

Gas turbines can operate on a variety of fuels, but tend naturally to use gas when being used in association with oil and gas processing, while gas is usually the chosen fuel when the turbine is being used in association with pumping gas along pipelines.

The drive for greater fuel efficiency, however, is as rigorous among gas turbine manufacturers as in any other industry. One method of achieving greater efficiency is by adding a waste heat recovery unit — some manufacturers claim that by using the *exhaust heat of the turbine* in addition to the shaft horsepower, thermal efficiencies of 70 per cent and more can be achieved. In simple cycle machines in the under 10 MW range (which are mostly destined for the oil and gas industry), efficiencies of 30-32 per cent are being achieved with some of the later models compared with 23-24 per cent for the first-generation models. In certain onshore power generation applications, such improvements may well warrant an operator substituting a new model for the less efficient.

*The gas turbine industry* tends to be divided conveniently on either side of the 10,000-hp line. While those manufacturers in the 10,000-hp and above range are heavily involved with the oil and gas industry—John Brown Engineering estimates, for instance, that 40 per cent of its total sales of gas turbines have been to the industry—those making the smaller turbines are involved almost exclusively with oil and gas.

In common with the oil and gas industry which it is serving, the gas turbine industry is very internationally structured. Solar Turbines International, based in San Diego, California, is one of the world's leading manufacturers in the 10,000 hp and below category (although in fact its latest gas turbine, the Mars, is slightly over at 10,450 hp).

The growth potential of the industry has prompted Cater*pillar, the international earth*-moving equipment group, to offer $505m to International Harvester, Solar's present owners. The offer, which has been accepted, is subject to confirmation. Caterpillar has been reported as saying that it intends to inject more cash inte Solar than has been available from the troubled IH, and it seems likely that Caterpillar—which for many years worked on designing a gas turbine of its own—will follow a route in developing *Solar similar* to that which it adopted in expanding its diesel engine interests.

Solar has a substantial *domestic market as* well as a highly developed export business, but its major competitor, Ruston Gas Turbines (part of the GEC group in the UK), was forced into developing an almost wholly export oriented business before the development of the North Sea. Ruston continues to export around 90 per cent of its production (sales in 1980 were approximately £90m), between a quarter and a third of its business being put through the company that Ruston set up in Houston a few years ago.

Ruston's Houston office was opened in response to the dominance of the American oil companies in the exploration and development of oilfields worldwide. The growing importance of Japanese contractors (which is frequently the customer for the gas turbine manufacturers) led Ruston to make an agreement with NKK in Japan last year whereby NKK *incorporates* a Ruston turbine in a package of associated Japanese equipment, such as compressors, pumps, etc, which may be sold in any part of the world.

Other major manufacturers of the smaller gas turbine include Kongsberg, Sulzer, and Hispano Suiza (part of Snecma) in Europe, and a number of American companies, such as Ingersoll Rand, Garrett, Detroit Diesel Allison, for which gas turbine manufacture is only a part of their activities.

The larger gas turbines fall into two main categories: (a) heavy-duty gas turbines, which is dominated by General Electric (GE) in the U.S., and its associates around the world (John Brown Engineering in the UK, Nuovo Pignone in Italy, Alsthom Atlantique in France, and several others); (b) lighter industrial gas turbines which have been derived from aero-engines. Companies in this category include Rolls-Royce, United Technologies (the parent company of Pratt and Whitney), and GE, with other companies such as GEC Gas Turbines acting as main contractors. Rolls-Royce also has a joint company with *Cooper Industries, the U.S.* group, which was formed to supply gas turbine compressor sets to the oil and gas industry.

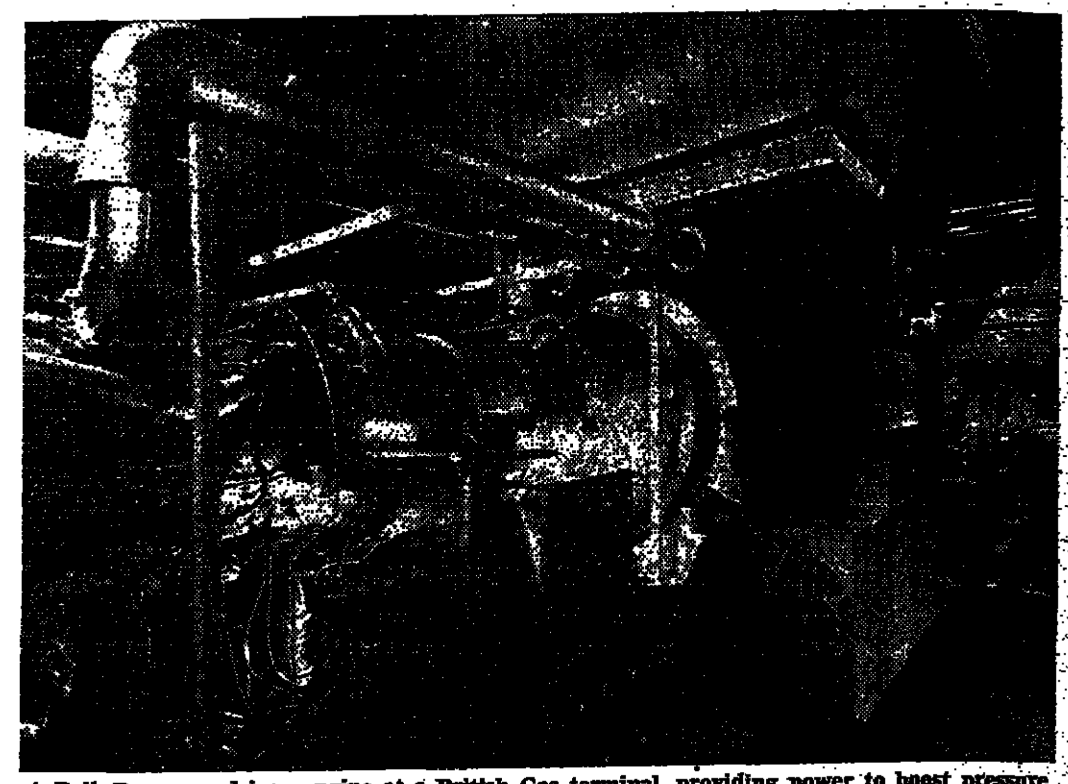
The decision on the size of gas turbine to be installed will depend largely on the function *for which it is required, but the* reputation of a manufacturer in a key engineer's estimation will also sometimes play a key part.

The quest for greater fuel efficiency, however, is likely to dominate the development programmes of all the major manufacturers. At the same time, their marketing divisions are positioning themselves to take advantage of potential projects, such as the North Sea gas-gathering pipeline, the Trans-Canadian pipeline, and the Yamal pipeline in the Soviet Union, where many millions of gas turbine horsepower will be required if the projects go ahead.

The industry is presently suffering from some reduction in demand as a result of the recession and the restrictions on output of crude oil which have been imposed by some Middle Eastern countries, and the loss of the Iranian market. This is being compensated for to some extent by the exploration activity by some of the smaller Arab producers, and the newer non-OPEC producers, while there will also be a growing demand to satisfy some of the changing requirements in the established oilfields.

The tighter restrictions being imposed by governments on gas flaring, for instance, mean that the oil companies are having to make greater provision for the reinjection of the gas, for which gas turbines are frequently used. And in the North Sea, the move to deeper waters, often requiring multi-deck platform structures and greater restrictions on space than the single deck structure, has highlighted the advantages of the smaller, lighter gas turbine.

The gas turbine manufacturers have shown themselves well able to adapt to the changing needs of the oil and gas industry, and there is no doubt that they will continue to demonstrate their flexibility.



A Rolls-Royce gas-driven engine at a British Gas terminal, providing power to boost pressure before gas enters the transmission pipelines



CONTRACTS

## £4m nuclear engineering orders

Two orders worth a total of £4m over the next three years for specialised nuclear fuel containers have been won by JORDAN ENGINEERING, Bristol. The orders, each worth £2m, have been placed by the CEGB and BNFL. The order placed by the CEGB is for nearly 600 fuel skips used in the storage and transportation of irradiated fuel from advanced gas reactors throughout the British Isles. These skips, made in the shape of oversize "egg boxes," will be supplied over the next three years. Each skip weighs about 1 tonne. One hundred multi-element fuel containers for transporting reactor fuel for Europe and Japan are to be supplied to British Nuclear Fuel over the next two years.

★

KRACHT HYDRAULICS, Elland, West Yorkshire, hydraulics specialist, has expanded into a new factory and has an order book of £4.25m. Kracht's (a member of the BAHCO group) latest orders include £220,000 from Shell International Marine involving modification of an off-loading tanker and a £247,000 order to supply indication systems to Shell Tankers UK for the refitting of E Class ships at Singapore.

★

M. E. BOILERS, Peterborough, has an order worth about £900,000 from BP Chemicals for four sets of waste heat boiler plant for the Hull factory.

★

WANG (UK) has won a £500,000 order from Ford Motor Company to supply eight VS (Virtual Storage) computer systems, 60 workstations and 30 printers. Systems will be installed in Brentwood, Dagenham and Merseyside. Applications include accounting, truck fleet maintenance and system development. The VS computer systems are to be linked to Ford's data centres.

# TO RELIEVE HAYFEVER TAKE ONE ON EVERY JOURNEY.

No, at Saab we haven't discovered a miracle cure for hayfever. But what we have invented is a unique ventilation air-filter for our 900 series, that will stop pollen and dust from seeping into the car.

Which must be good news for drivers who suffer from hayfever, or other allergies caused by dust or pollen.

And as well as bringing a welcome respite from sneezes and sore eyes, the filter will also rid you of two other common car ailments. The dust storm which normally showers you when you switch on the ventilation system, and the windows misting up, before the interior has warmed up.

The air-filter may be a small item, but it typifies the thought that goes into building a Saab. Take the 120 mph Saab Turbo for a spin on a bright summer's day and you'll quickly discover what we mean.

Immediately you'll notice how the tinted glass cuts down the glare of the sun. And if your No. 1 enemy is not the pollen count, you'll enjoy breezing along with the sun-roof open and the electric windows down.

And talking of breezing along, there can't be a better speed sensation than the famous Saab turbo-charger, that boosts engine power by more than 40%.

With Saab's equally famous road-holding and power-steering, there can't be a more comfortable drive either. Even round narrow country lanes or on surfaces more suited to agricultural vehicles.

Of course, summer motoring is not all country cruising.

There's the bumper-to-bumper drag to the coast or the nose-to-tail weekend return to the city, guaranteed to bring on a bout of backache, a stiff neck or a severe case of cramp.

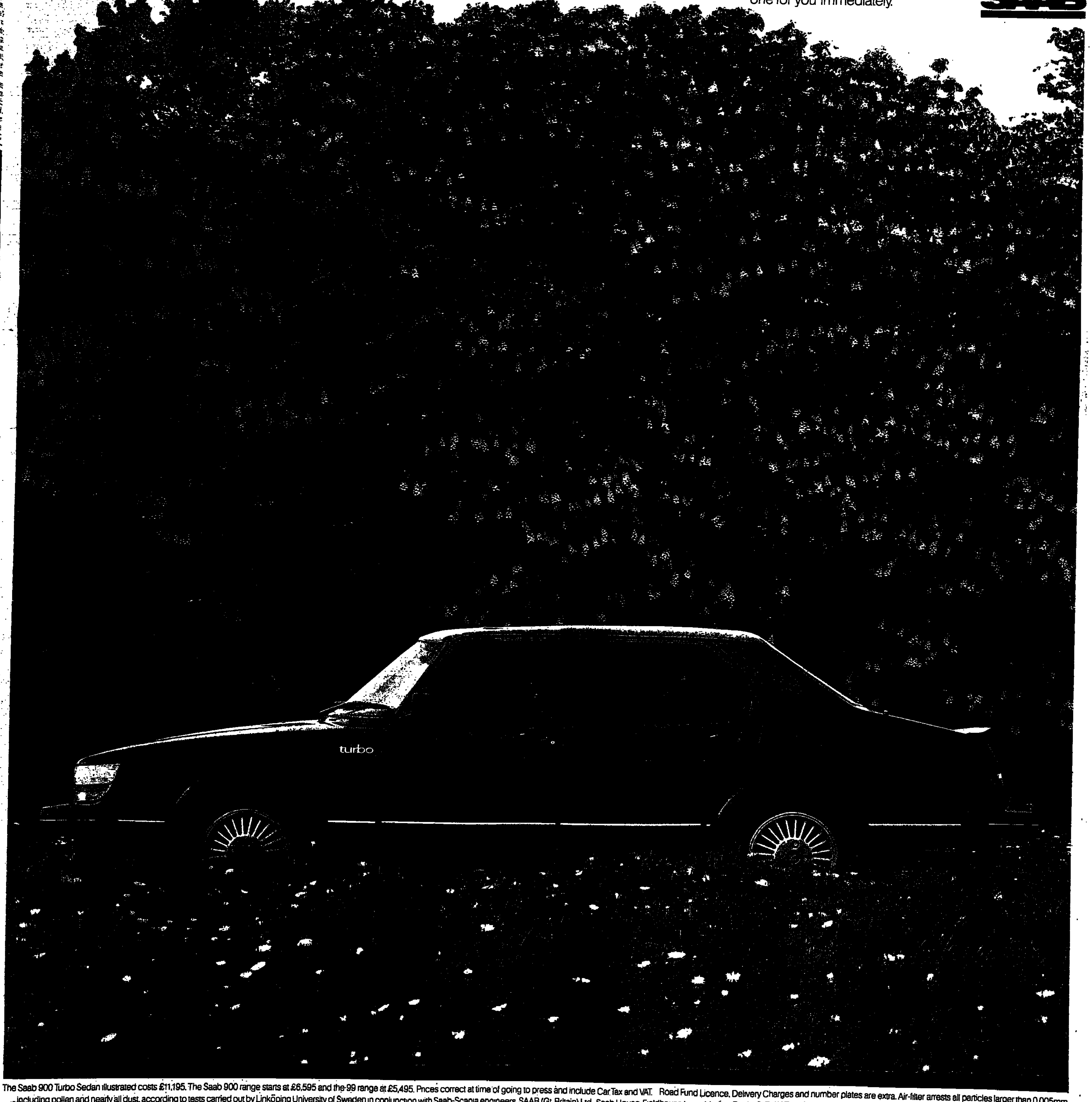
Here Saab also have the perfect remedy, in the shape of front seats that support the body from neck to knee. With an elastic lumbar support and deep-sided, thickly padded back-rests, they adjust right down to the reclining position.

And in case you suffer from a partner who always insists on an extra case, we should tell you that the luggage space is also very roomy.

What's more, to load up really long or bulky items such as water-skis, golf clubs, an outboard motor, or even sails, we have a fast, 30-second cure. You simply fold down the back seat and you more than double the boot space.

All in all, a Saab is the perfect panacea for so many of the usual motoring headaches. But don't take our word for it. Ask your local dealer if you can test one. He knows that you'll end up having such a healthy respect for the car, that you'll want him to prescribe one for you immediately.

SAAB




The Saab 900 Turbo Sedan illustrated costs £11,195. The Saab 900 range starts at £6,595 and the 99 range at £5,495. Prices correct at time of going to press and include Car Tax and VAT. Road Fund Licence, Delivery Charges and number plates are extra. Air-filter arrests all particles larger than 0.005mm, including pollen and nearly all dust, according to tests carried out by Linköping University of Sweden in conjunction with Saab-Scania engineers. SAAB (Gt. Britain) Ltd., Saab House, Fieldhouse Lane, Marlow, Bucks SL7 1LY. Telephone: Marlow (062 84) 6977. Export enquiries: Telephone: 01-491 2905

# TECHNOLOGY

EDITED BY ARTHUR BENNETT AND ALAN CANE

# British underwater diesel breakthrough

AFTER ALMOST three years of research, a team at Newcastle University's Department of Marine Engineering say they have perfected a design for a closed cycle *diesel engine.*

The search for a way to make diesel engines run under water and at unlimited depth has been continuing virtually since the engine itself was invented, and the problem is being studied throughout the world.

Successful trials have been run on what Professor Ray Thompson, head of the department, and Mr Alan Fowler who is also working on the project, have christened the "nitro-diesel" closed cycle engine, and the men say they are in the process of looking for someone in industry to take up the product.

"We are at what I would call the 'pre-prototype' stage," says Professor Thompson. "We need an industrial sponsor. Someone to engineer and market it."

He says a closed cycle engine, the concept of which is not new, offers the capability of providing power at any depth of water, independently of anything else.

He sees its use initially as being in the offshore oil industry, although any application where underwater power is needed could use the engine.

A typical one, he says, would be to drive an underwater pump, or for diver-rescue operations where heat and power were needed immediately.

At present, the most commonly used means of providing power under water for *submersibles, is lead-acid* batteries. "The nitro-engine weighs less than batteries, it occupies less space, and you get your heat free," says Professor Thompson.

"In addition, by using exhaust gases to pressurise the space in which the engine is enclosed, it is possible to supercharge it without the need for a supercharger."

The three-year development of the engine has been funded by a £66,000 grant from the Science and Engineering Research Council, and the programme still has until the end of this year to run.

Despite having some time in hand to tidy up the design, Professor Thompson says there is no-one else in the world able to offer a working, tested, engine as advanced as the university's product.

He reckons a nitro-engine capable of producing 25 kilowatts of power should cost under £10,000, largely because all the technology is available, and well tried and tested.

The power range being considered goes up to 150 kilowatts, anything over that and *more than one engine would* be used.

The system works by taking the engine's exhaust gases, cooling them, passing them through a potassium hydroxide chemical scrubber to remove carbon dioxide, and then enriching the gases with oxygen before returning them to the engine via the inlet manifold.

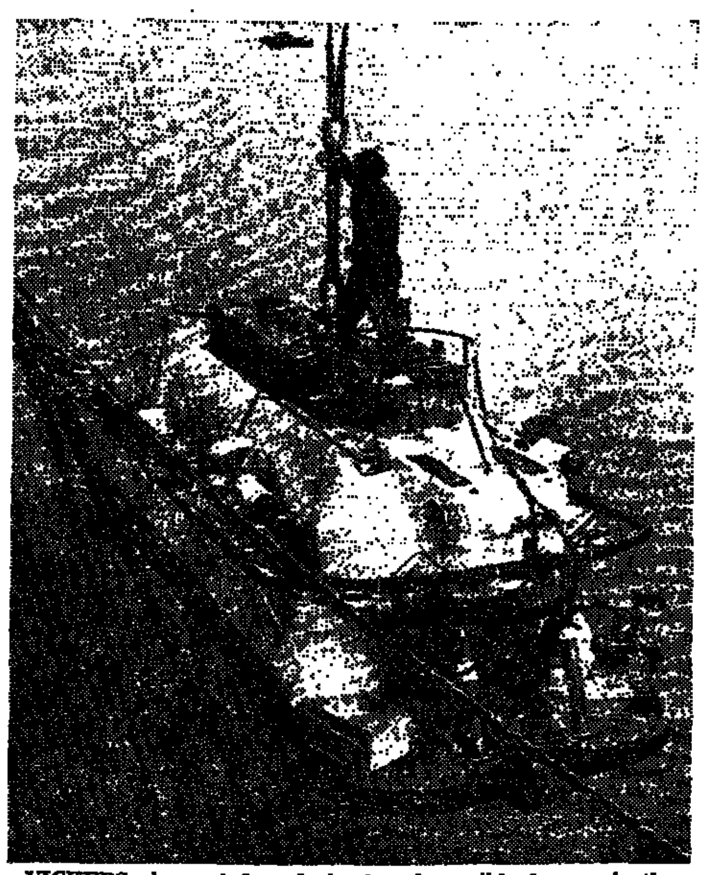
*The main difficulties* encountered by the pioneers of the engine have been in perfecting the control and sensing equipment necessary to a degree where the engine can cope with wild fluctuations of load without stalling or using too much oxygen which would result in burnt out valves.

A computer has been used extensively to design the systems, and it is a purpose-built micro-processor that will control the extent of oxygen enrichment to the exhaust gases.

"Sensing and control was *the major problem,"* says Professor Thompson. "Getting the right amount of oxygen to the engine to enable it to go from zero load to maximum loading in one or two seconds was difficult."

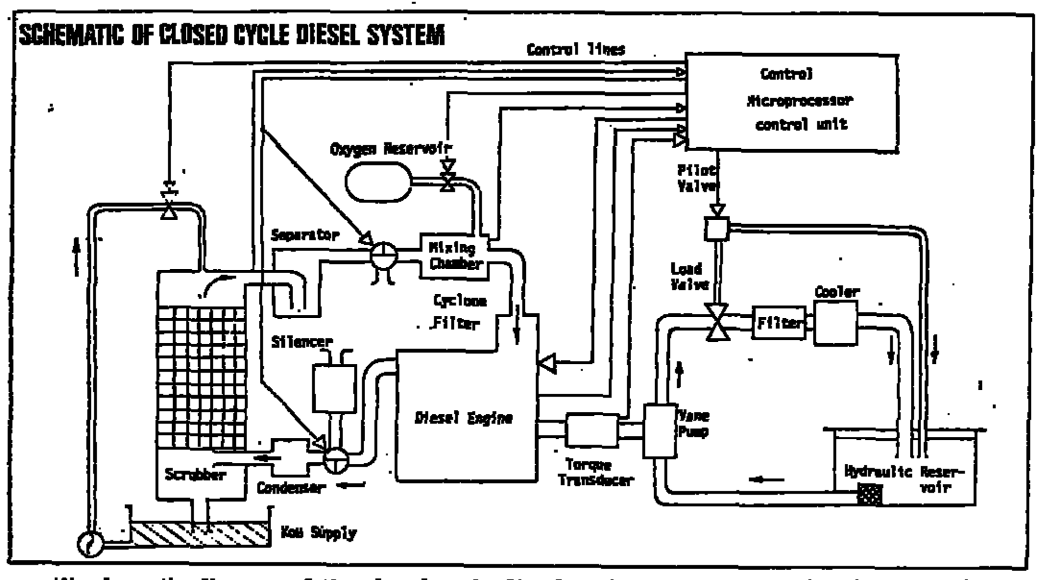
Mr Fowler says the engine has now been successfully run for more than 15 hours on closed cycle at all loads up to 100 per cent.

Now, having got this far with the project, both Mr Fowler and Profesor Thompson are hoping that someone in industry will take the system and turn it into a commercial reality. *They know other countries—particularly* Japan—are working on the problem, and fear that yet *another British "first" will be* allowed to die through neglect.



VICKERS glass reinforced plastic submersible for use in the North Sea is the type of vehicle which could benefit from Newcastle University's research

SCHEMATIC OF CLOSED CYCLE DIESEL SYSTEM




A schematic diagram of the closed cycle diesel engine pioneered by the Marine Engineering Department at Newcastle University. Theequipment to the right of the torque transducer is an hydraulic loading system devised by the department to apply varying degrees of load to the engine while it is under test

# Automatic machine to remove burrs from circular castings

REMOVAL of burrs, flash and other irregularities from the edges of circular castings can be carried out automatically by a machine developed by BCIRA. Components, 30 to 100 mm in diameter, can be processed at rates up to 800 an hour.

BCIRA says the automatic edge grinder ensures a concentricity that cannot be matched by hand rdressing and that it can be used for circular components made from a variety of materials and produced by casting, moulding, pressing and forging.

It is claimed that the machine "provides an ideal answer to the needs of those industries where production is below the minimum to warrant installation of multiple fixture machines and too high to be *met by the slow, laborious* hand finishing methods."

Manufacture of the machine is being carried out under licence by Essanbee (Bromsgrove), 9 Stratford Road, Bromsgrove *(0527 72309) and* demonstrations are being given at BCIRA's Alvechurch (near Birmingham) laboratories (0527 66414).

A larger machine, for components from 100 to 450 mm diameter has also been developed. Potential throughput is said to be 300 pieces an hour.



## Waste compression

LATEST OF the waste compaction systems designed by Anchorpac of Amersham, Bucks, has been designed to process the continuous high throughput of refuse handled by transfer stations or generated by large industrial units.

Bulky waste, even pianos and deep freeze cabinets, can be dealt with and compressed by the equipment which will exert a thrust of 70 tonnes.

Three hydraulically powered rams are used to crush the waste at rates up to 413 cubic meres an hour.

# Portable metal analyser

IN CONJUNCTION with CEGB's Marchwood Engineering Laboratories, a small high technology company at Wheatley, Oxfordshire, has developed a fully portable metal analyser based on visible spectrum analysis and is to make the instrument under licence from the Board.

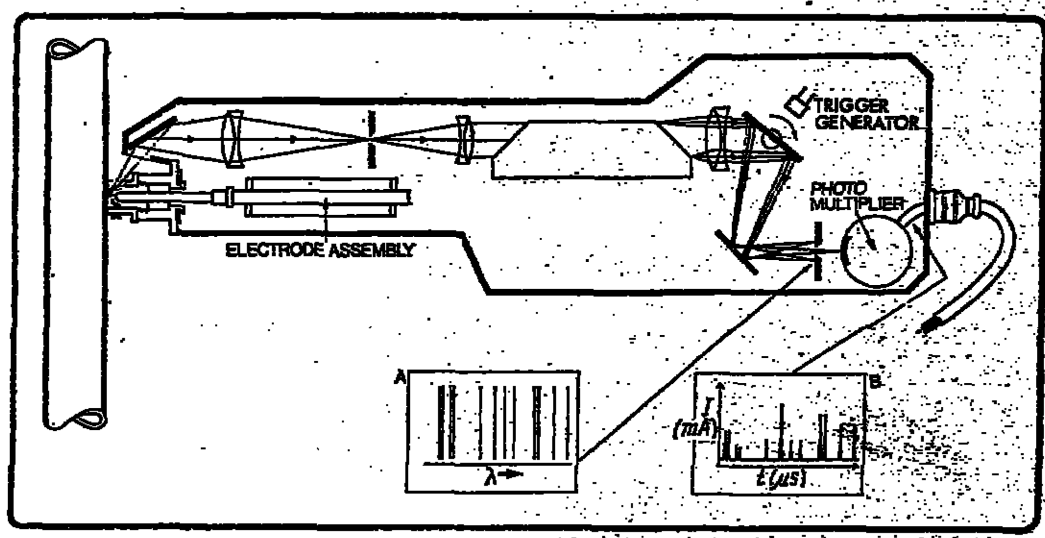
The unit is believed to be the first in which a complete analysis takes place with a digital read-out on the hand-held "gun" so that the operator does not, as with some existing instruments, have to make a personal assessment of the visible spectrum.

Although there are cable connections to a box of electronics, the hand-held unit is completely portable and weighs only 3 kg.

Within the small space available the designers have *included* an electrode assembly to strike an arc at the metal surface, an optical system to capture the arc light, a prism to produce the spectrum and a rotary mirror *system which turns the spec*trum lines into a time domain to allow analysis.

The instrument was originally designed to overcome a persistent and potentially costly problem at generating stations where mild or low chrome steels find their way into boiler and heat exchanger components where higher-chrome steels had been called for in the specification.

The Oxford company, called Quantum Production (08677) 3217) is thus offering an initial model that is able to *differentiate* between *low chrome steels having up to 10* per cent chromium content, with a sensitivity of 0.5 per cent.




THE Marchwood/Quantam Production hand-held metal analyser. An arc of two to five amps is struck by the electrode assembly at the front of the instrument and the light from the arc is collected from a precision spectrometer which splits the light into its colour components (A).

This *spectrum* is characteristic of the constituents of the alloy and is scanned by a rotating mirror and detected by the photomultiplier.

The spatial spread of the spectral lines is thus converted into a time variation (B), each peak appearing at some fixed time after the *initial synchronising signal.* The process is repeated for each revolution of the mirror and over many scans the amplitudes for both the basic metal (say iron) and the *sought after constituent* (chromium) are averaged out

# Printed board circuit with four layers

ICL'S MULTI-LAYER printed circuit board enterprise, Logiclayer, launched a year ago, has come down-market somewhat with a version containing four *layers which should* prove useful and economical in electronic circuit design of the more conventional kind.

Called Multiboard, it is a Eurocard-sized four layer board with two interleaved power rails and a ground plane on the inner layers and X/Y logic tracking on the outer surfaces.

Power points are brought out via plated-through holes at regular intervals and so all the tracking facilities are provided to power and interconnect any type of integrated circuit, microprocessor or memory provided that it has legs spaced either *0.3, 0.6 or 0.1* inch pitch.

The required connections, or modifications to them, are made either by inserting short wire links between components and pads on the board or by removing unwanted copper tacks.

The company believes that costs can be cut to less than one third and that times of one week for a prototype and two to three weeks for a small batch are normally achievable.

Multiboard is to be marketed initially in the UK and will be available from ICL Logiclayer in Manchester off the shelf at £175.

## Teradyne

TERADYNE has introduced an automatic test equipment for discrete electronic components, the T357.

The unit can perform waer probe, final test, quality assurance, incoming inspection or device evaluation on transistors, diodes, rectifiers, triacs, field effect transistors and several other types. A large memory allows job development without affecting throughput.

POINTERS

## Silicon chips in the field

THE TRADITIONAL skills of the agricultural world are giving way to the silicon chip.

Yesterday, Sinar Agritec launched what it describes as a "moisture computer" on the UK market. The device is designed to be used in the field to show the true percentage moisture content of whole grain.

According to Sinar, it is the first time that such accuracy has been possible to achieve in the field.

The device is fully automatic; it requires no grinding of samples and no separate temperature measurment. No nulling of dials and no separate calibration charts for separate commodities.

The National Research Development Corporation is pro*viding £300,000 to support the* companies marketing and development programme in the next few years.

The machine will give a minimum of 8,000 measurements before the 1.5v batteries need replacement. It costs £750 ex VAT; Inquiries to Sinar Agritec, Winslade House, Egham Hill, Egham, Surrey.

## Robotics

ANYONE WITH a good first degree in engineering or an allied subject can now apply to take a new one year course at Cranfield Institute of Technology in robotics.

It will be conducted by the college's Robotics and Automation Group under 34-year-old Professor Keith Rathmill who believes that "there is now a dangerous shortage of men and women with the awareness and skills needed to apply robots in industry."

He makes the point—not often appreciated in the blaze of popular interest in the subject—that the current devices in use or on offer are for the most part not really robots at all.

They really are first generation robots he asserts, since they are both blind and deaf.

But, he predicts, that "they will be replaced in the next few years by second generation machines with senses."

## LEGAL NOTICE

OFFERING FOR SALE

The 50% Interest of the estate of Citizens Mortgage Investment Trust, Debtor, in participation agreements with certain parties in connection with 154 developed lots and approximately 740 acres of underdeveloped land zoned for various uses in Lake St. Louis, St. Charles County, Missouri, as described more fully below:

UNITED STATES DISTRICT COURT FOR THE DISTRICT OF MASSACHUSETTS

IN RE CITIZENS MORTGAGE INVESTMENT TRUST, A Massachusetts Trust with Transferable Shares. DEBTOR

IN PROCEEDINGS FOR REORGANISATION UNDER CHAPTER X NO. 78-1878-JG

NOTICE OF HEARING ON APPLICATION BY TRUSTEE FOR AUTHORITY TO SELL ASSET AT PRIVATE SALE RE LAKE ST. LOUIS

TO ALL INTERESTED PARTIES:

PLEASE TAKE NOTICE that a hearing will be held by this court at 2.00 p.m. on July 2, 1981 in Room 1412, United States Post Office and Courthouse, Boston, Massachusetts 02109, to consider the Application by Trustee for Authority to Sell Asset at Private Sale re Lake St. Louis.

*In the Application the trustee seeks authority to sell to William A.* Walker of St. Louis, Missouri ("Walker") his interest and the interest of the estate of Citizens Mortgage Investment Trust ("CMIT") in and under certain Participation Agreements (which are affected by a certain Stipulation) entered into between and among CMIT and certain other parties who will hereinafter be referred to as the "Participants." The Said Participation Agreements relate to a certain land development loan made in 1974 to finance the development of real estate located at Lake St. Louis, St. Charles County, Missouri, repayment of which was secured by a deed of trust on the said real estate. Pursuant to certain provisions of the said Participation Agreements, upon acquisition by CMIT in 1975 of title to the said real estate following the default of the borrower, CMIT and the Participants are responsible for the costs and expenses of maintaining and managing the said real estate and would be entitled to the net proceeds of any disposition of the said real estate to the extent of a stated percentage basis. The CMIT share under the Participation Agreements is currently equal to 50%. In connection with a disposition of a portion of the said Lake St. Louis real estate, CMIT accepted a Note, currently held by the trustee, as net proceeds for distribution pursuant to the said Participation Agreements. In addition, as a condition to the making of the original 1974 land *development loan, CMIT accepted, and the trustee now holds,* an Assignment of Proceeds from the borrower, the proceeds of which are distributable pursuant to the said Participation Agreements.

Walker has offered to purchase the interest of the trustee and of the estate of CMIT in and under the said Participation Agreements (as affected by the said Stipulation) for a total price of $2,500,000 in cash payable at closing. Walker has made a deposit, to be applied to the purchase price, of an unconditional obligation of a bank to pay the sum of $100,000 on demand. In order to consummate the proposed sale to Walker it will be necessary for the trustee to transfer to Walker *title to the aforesaid Lake St. Louise real estate* and to the Note. The proposed sale does not include a transfer by the trustee to Walker *of the aforesaid Assignment of Proceeds.*

In the Application the trustee requests the court to find and rule that the Participants have no interest in the asset that is the subject matter of the sale to Walker and further requests the court to order that the proceeds of the said sale are the exclusive property of the estate of CMIT and are not *subject to any claim by any of the* Participants or by any other person or party.

PLEASE TAKE FURTHER NOTICE that objections, if any, to the granting of the relief requested in the Application specifying the grounds of objection, or any other offer to purchase *the asset that is the subject matter of the sale,* must be filed in writing with the Clerk, United States Bankruptcy Court, United States Post Office and Courthouse Boston, Massachusetts 02109 on or before 5.00 p.m. June 26, 1981, with a copy served upon the trustee in care of his counsel, Hertz N. Henkoff, Barron & Stadfeld, 18 Tremont Street, Boston, Massachusetts 02108.

PLEASE TAKE FURTHER NOTICE that any other offer which is timely filed must include all the terms and conditions of the offer and must be accompanied by a deposit in good and immediately available funds in the amount of $100,000, which deposit will be refunded in the event that the trustee is not authorised by the court to accept the offer.

PLEASE TAKE FURTHER NOTICE that in the event of any other offer which is timely filed is found to be better than the offer by Walker, the court at July 2, 1981 hearing may authorise and direct the trustee to establish a procedure for the submission of further offers by all offerors including Walker or may make such other and further order as is appropriate under the circumstances.

PLEASE TAKE FURTHER NOTICE that the complete Application is on file with the Clerk, United States Bankruptcy Court, United States Post Office and Courthouse, Boston, Massachusetts 02109 and may be inspected by any person or party during regular court hours.

/s/ JAMES N. GABRIEL
James N. Gabriel, Bankruptcy Judge

Counsel to William A. Brown, Chapter X Trustee:
Hertz N. Henkoff, Esquire
Melvin S. Hoffman, Esquire
BARRON & STADFELD
18 Tremont Street
Boston, Massachusetts 02108
(617) 723-9800

## COMPANY NOTICES

JARDINE, MATHESON & CO., LIMITED
(Incorporated under the Companies Ordinance, Hong Kong)

SCRIP DIVIDEND

For the purposes of the 1980 final scrip dividend of Jardine, Matheson & Co., Limited the average last dealt price of the Company's ordinary shares on the Hong Kong Stock Exchange Limited for the five trading days up to and including 10th June, 1981 was HK$25.38. The number of new *ordinary shares which shareholders will* receive will be calculated by multiplying the number of ordinary shares, in respect of which they have not elected to receive cash of HK$0.64 per ordinary share, by the following fraction:

$$\frac{0.64}{25.38}$$

*Shareholders' entitlements to fractions* of a new ordinary share will be aggregated and sold and the net proceeds will be distributed to them.

Thus a holder of 2 000 ordinary shares in respect of which he has not elected to receive cash will receive 50 new ordinary shares, and a cash payment representing the net proceeds from the sale of approximately 1/16 of one ordinary share.

The payment of the final dividend is subject to the approval of shareholders at the Annual General Meeting of the Company convened for 12th June, 1981.

By Order of the Board.
K. W. YOUNG,
Company Secretary.

Hong Kong.
11th June, 1981.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN TSUBAKIMOTO PRECISION *PRODUCTS CO. LTD.*

The Annual General Meeting of shareholders of Tsubakimoto Precision Products Co. Ltd. will be held on June 29 1981.

AGENDA

1. Approval of Financial Statements.
2. Election of one Director.
3. *Election of two Statutory Auditors.*

(Full text of Notice is available at Citibank, N.A., London.)

Shareholders who wish to exercise their voting rights must deposit their certificates not later than June 24 1981 at the offices of the Depositary, Citibank, N.A., 336 Strand, London WC2R 1HB, or the Agent, Citibank (Luxembourg) S.A., 16 Avenue Marie Therese, Luxembourg, together with instructions indicating the way the shares be voted.

CITIBANK, N.A., London
Depositary.

June 17 1981.

MATHESONS INVESTMENTS LIMITED

7¼% CONVERTIBLE UNSECURED LOAN STOCK 1987/92
(THE "LOAN STOCK")

Consequent upon the passing at the Extraordinary General Meeting of Jardine, Matheson Co., Limited ("Jardines") on 12th June, 1981 of the resolution to approve the free scrip issue of 1 share for every 10 shares held, the conversion *rate of the loan stock has been adjusted* from HK$330 to HK$360 in the nominal amount of ordinary share capital for every £100 nominal amount of loan stock converted. Thus £100 nominal of loan stock is now convertible into 60 ordinary shares of Jardines.

This adjusted conversion rate is retroactive from 29th April, 1981.

JARDINE, MATHESON CO., LIMITED
K. W. YOUNG
Company Secretary

Hong Kong.
13th June, 1981.

JARDINE MATHESON (FINANCE) LIMITED

*WARRANTS ("THE WARRANTS")* IN REGISTERED AND BEARER FORM TO SUBSCRIBE FOR ORDINARY SHARES OF HK$6 EACH IN THE CAPITAL OF JARDINE, MATHESON CO., LIMITED

Consequent upon the passing at the Extraordinary General Meeting of Jardine, Matheson Co., Limited ("Jardines") on 12th June, 1981 of the resolution to *approve the free scrip issue of 1 share* for every 10 shares held, the subscription price of the warrants has been adjusted from HK$29.20 to HK$26.55.

This adjusted subscription price is retroactive from 29th April, 1981.

JARDINE MATHESON (FINANCE) LIMITED
JARDINE, MATHESON CO., LIMITED
Secretaries

Hong Kong.
13th June, 1981.

## RESIDENTIAL PROPERTY



MAIL ORDER ADVERTISING

Where money is paid in advance, advertisers should despatch goods within 28 days (unless a longer period is stated). Readers should write to the trader if goods are not received within 7 days of the despatch period quoted.

Money paid in advance for goods ordered from advertisements in this newspaper (other than under the heading "classified") is protected under a scheme operated by The Newspaper Publishers Association. This scheme applies only when the advertiser becomes the subject of liquidation or bankruptcy proceedings.

*Full details of your rights are* explained in a leaflet obtainable by writing (including a stamped addressed envelope) to:

The Newspaper Publishers Association
*(Mail Order Protection Scheme)*
*6 Bouverie Street, London EC4Y 8AY*

## PUBLIC NOTICES

CITY OF WESTMINSTER, London Borough Bills amounting to £175m were issued on 16th June 1981 for maturity on 15th September 1981. Applications totalled £493m. The minimum price of accepted tenders was £96.93 and 18.29% of the issue was allotted at this price. The average rate of discount was 12.23489%. No other Bills are outstanding.

*EAST SUSSEX COUNTY COUNCIL. £4m* Bills issued on 17th June 1981 due 16th September 1981 at a rate of 12¼%. Applications totalled £38m. Total outstanding £12m.

KIRKLEES METROPOLITAN COUNCIL offered £4m Money Bills for issue on the 17th June 1981 to mature 16th September 1981. Tenders were received for £31m and all the Bills were *allotted at 12⅛% net discount.* The total amount of Bills outstanding is £7,500,000.

SEVENOAKS DISTRICT COUNCIL. £400,000 Bills offered 10th June 1981 for payment 15th June 1981 due 14th September 1981 at 12 9/64%. Applications totalled £2.4m. No other Bills outstanding.

*STRATHCLYDE REGIONAL COUNCIL.* £9m Bills issued today, due 16th September 1981 at 12 9/64%. Total applications £71m. Outstanding £36m.

## TRAVEL



## EDUCATIONAL



## COMPANY NOTICES

BANQUE DE PARIS ET DES PAYS-BAS

10¼% 1975-1982 LOAN OF FF 150,000,000

The FF 2,550,000 redemption instalment due July 15 1981 has been met by purchase in the Stock Exchange. Outstanding amount after July 15 1981: FF 123,815,000.

The Paying Agent
BANQUE DE PARIS ET DES PAYS-BAS POUR LE GRAND-DUCHE DE LUXEMBOURG

NOTICE OF PURCHASE
THE BOWATER CORPORATION LIMITED

8¼% BONDS DUE 15th MAY, 1992

NOTICE IS HEREBY GIVEN to bondholders that US$2,000,000 nominal amount of the above issue was purchased in the market in the period to 15th May, 1981, in respect of the first mandatory redemption instalment payable on that date.

THE BOWATER CORPORATION LIMITED
Bowater House, Knightsbridge, London SW1X 7LR.
June, 1981.

# THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

## A foreign act of faith in UK productivity

### Kenneth Gooding examines Eaton Corporation's new £15m investment project

THERE HAS been an increasing tendency in recent years for North-American multi-nationals to trim their British operations or to pull out completely.

Yet Eaton Corporation, which in the past has done its fair share of cutting back, is now bucking the trend and investing a further £15m to get its truck transmission plant in Manchester back into operation.

The old plant was destroyed by fire in September 1979 and Bob Gillison, president of Eaton's truck components group, admits that the company considered several options before deciding to spend heavily in the UK. (The £15m does not include the cost of rebuilding the factory by the landlord, Equity and Law Life Assurance Society.)

In Britain's favour, apart from the enthusiasm and co-operation of the Manchester workforce, was that the cost of labour "is not so high as long as you get reasonable productivity," according to Gillison.

The financial climate is good. Corporate taxation is reasonable and so are capital and other allowances, he believes. As for sterling: "We expect the 1980s to be the decade of the strong dollar. If the pound stays with the dollar we can live with that. But we don't expect that it will."

Starting afresh after the fire—the new plant comes on stream in September this year—has helped Eaton make fundamental gains in labour productivity. Careful positioning of machine tools, lots of computer-controlled machines and other forms of automation will make it possible for Eaton to get much more output from fewer people.

The old Manchester plant employed 402 direct and 310 indirect workers. The new one will need only 188 direct and 108 indirect, the reduction having already been achieved through voluntary redundancies. And a three-year pay deal has been worked out so that until 1984 wages will trail inflation. For example, if inflation runs at 8 per cent, pay will rise 6 per cent.

#### Flexible

Gillison reckons that as a result of the new and more flexible working practices, Manchester will give marginally better productivity than Eaton's U.S. truck transmission plants in spite of having to cope with a wider product mix and lower volumes of output.

Eaton has eight transmission plants around the world—four in the U.S., two in the UK (Basingstoke as well as Manchester), one in France (St Nazaire) and the other in Brazil. They all make Eaton-Fuller gearboxes to the same standards and specifications, which was one reason why Eaton was able to keep customers supplied even though it lost 40 per cent of European transmission capacity when the Manchester plant was destroyed.

And, in theory anyway, if the worst happened Eaton could ship the plant and equipment it is having installed at the Manchester factory to another plant somewhere else in the world. (The group has done something like this in the recent past by moving valve making equipment from a U.S. valve factory and using it in a new facility being set up by a Mexican associate company.)

*For, though it reckons to have put its own operations into good order, Eaton remains concerned about the state of British manufacturing industry as a whole.*

"Every time we see another castings business close down we wonder whether the infrastructure will be eroded any further and just how many more of our British suppliers are going to disappear or cease to supply," says Gillison.

Of course, Eaton could rely more on imports of such items as castings, forgings, bearings and so on and concentrate mainly on machining in the UK. Gillison reckons the group could cut the value added by the Manchester plant from the expected 50 per cent of the product's ex-factory cost to a mere 20 to 25 per cent of the ex-factory value of the product if this was absolutely necessary. This is one of Eaton's options should things go haywire with British costs.

Prepared for a rainy day Robert Gillison (right), with John Rodewig, Vice President, Operations Europe, Manchester plant

There is also a question mark over truck manufacturing in Britain. British truck assembly capacity is being reduced substantially as the whole European industry reshapes itself.

If truck-making capacity does not remain at reasonable levels then Eaton would have to re-think its UK policy.

The impact would not be so severe on the transmission business. Eaton expects to export about half the Manchester output and, in spite of the recession throughout Europe last year, it kept the transmission plants operating at about 80 per cent of capacity.

There are so many Eaton-Fuller gearboxes installed in European trucks now that 20 per cent of the capacity of the European transmission plants is taken up with providing service parts. However, Eaton's medium-weight transmissions and its truck axles operations rely much more on it having a healthy band of British customers.

The axles division has already taken a hammering as Eaton slimmed down to keep pace with the steep decline in demand for heavy trucks in the UK. Eaton had the capacity to manufacture 100,000 truck axles a year in Britain yet demand has fallen to 20,000.

#### Job losses

To give itself more flexibility of movement, Eaton quietly bought out the 25 per cent minority holding in its Eaton Axles subsidiary previously held by the Rubery Owen group. Earlier the partners had closed down the Darlaston, West Midlands, axle housing plant at the cost of 430 jobs and the Aycliffe, Co. Durham, axle manufacturing plant also suffered job losses totalling 400. This cut the workforce in the axles operations to 750.

Eaton argues that these moves actually showed it had faith in the future of UK truck manufacturing. Otherwise, faced with losses of £3m in the axle business in 1979, and more than double that sum last year when redundancy and closure costs were included, it would have shut the whole business down.

The £15m invested at the Manchester plant is further evidence of a faith that is all the more touching because Eaton predicts that demand for heavy trucks in Britain will not again reach the peak of nearly 80,000 reached in 1979 until the late 1980s.

And that indicates Eaton is betting heavily on the ability of its UK-based truck customers to export successfully as well as win back a bigger share of their home market.

## An inside challenge to 'Japan Inc'

### Christopher Lorenz reviews an unusual study of management in Japanese industry

A COMBINATION of internal competition and consensus is the key to Japan's rise to industrial power, says Naoto Sasaki: tough competition between the big groups like Mitsui and Mitsubishi is reinforced by consensus within them.

Sasaki rejects the concept of "Japan Inc." as the main driving force behind Japan's success, claiming it springs into existence only occasionally, when the country or a particular industry is in trouble — rather like a Western "project team" on a grand scale. When the crisis is resolved, the team is dissolved and the rough and tumble of competition is resumed.

> 'When a project fails, sanctions are not taken against those who proposed and performed it . . . though rewards go downward, sanctions do not'
>
> A senior executive of C. Itoh & Co. on Japanese consensus decision-making

Unlike certain other Japanese critics of conventional Western attitudes, Sasaki does not quarrel with the view that his country's industrial strength rests to a considerable extent on its unusual financing system — close links between banks and industry, high debt-equity ratios and the rest — which allows industry to take a long-term view of profitability. Indeed, he emphasised that competition within the Japanese economy has almost always been for volume rather than profits, with "houses" such as Mitsui or Mitsubishi engaged in an annual sales race that escalates into overall competition on a nationwide scale.

Within such groups and their component entities, Sasaki argues that though the famous "Ringi" system of creating consensus may slow down the making of decisions, it speeds up the subsequent process of implementation, so that both stages together may take less time than in the West. Not only do people feel committed to implementing a decision that they helped to formulate, but "the trauma that accompanies change is reduced . . . and far bolder decisions can be taken."

Sasaki, who is Professor of Economics and Industrial Administration at Tokyo's Sophia University, has the extremely unusual credentials for a Japanese academic of having worked for much of the past decade in Europe and North America. So he is better than most authors at interpreting the intricacies of Japanese management for Westerners.

His new book, Management and Industrial Structure in Japan, paints a broad picture of industry in Japan against its economic and social background (the closed nature of society, group ethics, lifetime employment, the seniority system, and so on). He examines in depth the process of decision-making in business organisations, in terms that are attractive both to the layman and the sociologist. In the process, he sheds new light on the phenomenon of the rising sun (to coin, or adulterate, a phrase).

Given that much of Sasaki's time is now spent in Western business schools, it is ironic that the book makes a forceful point about the lack of significance of business education to Japanese companies. Only 62 out of Japan's 389 colleges and universities have departments of business administration, he says. Companies feel that on-the-job training is preferable, albeit augmented by in-house training facilities.

But internal education does seem from Sasaki's evidence to have become a major activity, with a high proportion of Japan's executives attending short programmes each year on something akin to the German pattern.

#### Rotation

Drawing on his personal experience in Belgium and Britain, Sasaki draws a parallel between the Japanese system of training by job rotation and the increasingly popular Western practice of "action learning" by job swapping; this was pioneered in the face of business school opposition by Professor Reg Revans, a Briton.

Although job rotation in Japan produces good general managers, Sasaki considers it is not always undertaken as a thought out policy. But he says it tends to work as follows: a new recruit, say a university graduate of 22 or 23, enters a company. "He is still a 'layman,' an undeveloped generalist who possesses only a broad background of education."

In addition to the formal effect of rotation, Sasaki considers various by-products important. "The employees' morale may be improved, and with it human relations in the workplace." Rotation gives extensive contacts in the firm to those who will be promoted later: "when they become middle managers they need all the contacts they can get to generate the required concensus under the Ringi decision-making system."

Contrary to widespread assertion, Sasaki denies that the spirit of this traditional system is dying, even though some of its formalities may be.

The word *ringi* means obtaining approval for a proposal through the vertical, and sometimes horizontal, circulation of documents within the organisation. As an administrative procedure, as opposed to an underlying approach, it consists of four steps: proposal, circulation, approval and record.

The procedure starts by securing consensus within the particular departmental section where the proposal originates; a wider agreement is then sought within the department, before an overall consensus is laboriously built up in the company as a whole.

This prior co-ordination is vital for the effectiveness of the system, Sasaki argues. It is only when the department considers it has achieved an informal agreement from all the other departments that the formal process starts, with the circulation of a document of request, the *Ringi-sho*.

Under American influence after the Second World War, the potential drawbacks of this "feudal" system were recognised (over-formality leading to inefficiency, reliance on compromise rather than choice of the optimum decision, and other problems).

Some aspects of the system have since gone into decline, notably use of the *Ringi-sho*, but Sasaki denies that its spirit is dying too. It may be time-consuming and politically delicate, but he regards it as highly appropriate for the Japanese form of business organisation, which is still largely based on seniority.

> **SMALL AND medium-sized companies in Japan have been "left behind" by the productivity growth of the country's few big businesses, considers Professor Sasaki. Almost 98 per cent of its manufacturing enterprises employ less than 100 people each, but he says that over two-thirds of the employees in such companies receive wages which are at least 40 per cent lower than their counterparts in large companies.**

As in a feudal system, "it is the middle management who take or are expected to take the initiative in making proposals and in making the subsequent decisions (while) the seniors manage the political affairs and arrangements to back them up . . . Under lifetime employment the seniors have stayed in a firm longer than the middle management, therefore they know better what's what and who's who."

The seniors also protect middle management from responsibility, Sasaki continues, suggesting this as one of the reasons why Japanese middle managers are frequently the originators of what he calls "bold and active corporate divisions." He quotes the executive vice-president of C. Itoh and Co., one of the largest trading houses, as saying that "when a project fails, sanctions are not taken against those who proposed and performed it. All the responsibility for it is due to the top management who adopted it. Though rewards go downward, sanctions do not."

In Japan the firm is primarily a social entity, Sasaki concludes, albeit one which operates in an economic environment; in the West, on the other hand, it is an overwhelmingly economic unit.

One of the illuminating sidelights thrown by Sasaki on Japan's consensus style of decision-making is how much it differs not only from Western practice but also from the Asian norm. He quotes a survey which suggested that only 13 per cent of purchasing decisions in South East Asian companies were made by group consensus, compared with 38 per cent in Japan. A further 32 per cent in Japan were made by "several individuals" and 22 per cent by one man on the basis of recommendations by technical personnel; this compared with Asian scores of 27 per cent for "several individuals" and an overwhelming 52 per cent for "one man on the basis of recommendations."

#### Co-ordination

In arguing against the concept of "Japan Inc," Sasaki admits the existence of guidance by the Ministry of International Trade and Industry (MITI) to regulate exports from such sectors as cars, colour TV, steel and shipbuilding. But he claims that the government only starts to promote real economic co-ordination when the collapse of a company or an industry threatens to produce macro-economic problems or serious social effects. He quotes several examples, including Ataka and Co., which ranked as one of Japan's top ten trading companies but whose threatened bankruptcy was staved off only by absorption into C. Itoh and Co. He also cites the government-backed rescue of Sasebo Heavy Industries in 1978, and the impact of the oil crisis on the Japanese economy as a whole.

Sasaki does not report whether the nationwide "project team" formed to cope with the effects of the oil crisis has yet been disbanded, but he is emphatic that the focusing of excessive attention on the co-ordinated behaviour of government and industry will cloak the "very tough competition" that exists within the Japanese economy.

* Pergamon Press. Published June 19, 1981. Price £10.00 hardcover, £4.95 flexicover.



BUSINESS PROBLEMS — BY OUR LEGAL STAFF

#### Self-employed pension

**I am self-employed, and shall be 59 years of age next birthday. My self-employed pension policies are rather modest, because the firm has constantly required infusions of capital, and this tended to use up available cash. Would it be prudent to pay the maximum permitted amount into a self-employed pension policy assuming that I will go on working at least until I am 65, and my present annual income is about £13,000 (i.e. earnings from my work)?**

The amount that you can pay into a self-employed policy and on which you can get relief is 17.5 per cent of your earnings which you say are £13,000. It would appear that you have paid substantially below the maximum self-employed contributions during the past six years. You could therefore go back over each of the past six years and pay the maximum permitted in each of those years less what you actually paid and get relief in the current year. You should get your accountant to calculate these maximum payments for you.

Your scope for retirement saving would be substantially increased if you were to turn your partnership into a company—which you should do unless you are prevented by the rules of any professional body to which you might belong (legal accountancy) from so doing. As a company there is no 17.5 per cent limit on contributions. The company can pay whatever is required to fund maximum benefits of two-thirds final salary provided you can complete 10 years' service which you could do by age 69.

If you set up a self-administered pension plan for yourself and your co-directors (i.e. the people who are at present your partners) you could solve the problem of retaining funds in the business. Part of the fund which would be built up out of gross untaxed earnings of the company could be lent back to your company, used to buy company property, etc. Various self-administered pension packages are available.

#### Change of shop front

**The following statement appears on an auction paper: "By oral agreement between the Vendors and the Tenant, the Vendors granted consent to the Tenant to change the shop front. No written licence was entered into, nor is it intended to enter into such written licence." Could you please let me know the full legal significance of the statement? Can the Tenant claim compensation if the lease is not renewed? Can the Landlord claim rent for this improvement on a renewal of lease?**

The statement appears only to disclaim any duty to enter into a formal variation of the lease. Clearly the change of shop front is not a matter of which either the vendor or the purchaser of the reversion could complain as being in breach of covenant. We doubt if the tenant could claim compensation as he probably did not comply with the requirements of Sections 1 and 3 of the Landlord and Tenant Act 1927 but you should enquire. It would seem that the landlord cannot claim rent for the improvement in renewal.

#### Right of pre-emption

**I desire to obtain legally the "first refusal" opportunity to buy a small farm from X. If I get him to sign the following contract, would it be binding on X and his successors? "In consideration of £1 paid now by you Y I agree that if ever I dispose of Daisy Bell Farm or part thereof I and my successors in title will first offer it to you at the then open market price. Signed X" Can this be registered as a Land Charge?**

A right of pre-emption must be registered in the land charge registry or protected by a caution on the title of registered land. It is wiser to make the payment more than £1, say £5. The formula you set out should at least, be amended to read "If . . . I desire to dispose," and it should be limited to operate within a 21 year period. It is also wise to make express provision for the service of notices to operate the pre-emption right and its acceptance or refusal and to make provision as to the title.

#### Notice to quit

**I wish to give notice to quit to the tenants of a house in London which is let furnished to 10 tenants. Will the Solicitors' Law Stationery Society's form Landlord and Tenant 61 be suitable What about rent in the meantime? Is there not some question of "mesne profits"? I view of the London Borough's notice requiring provision of necessary means of escape from fire could I obtain vacant possession by serving notice to quit in pursuance of Section 9 of Schedule 24 of the Housing Act 1980? During the hearing of my appeal against the Council Notices can I cite the case referred to by Justinian in the Financial Times of Monday October 6, 1980, namely Hauer v. Land RheinlandPfalz (Case 44/79) (1980) c CMLR 42?**

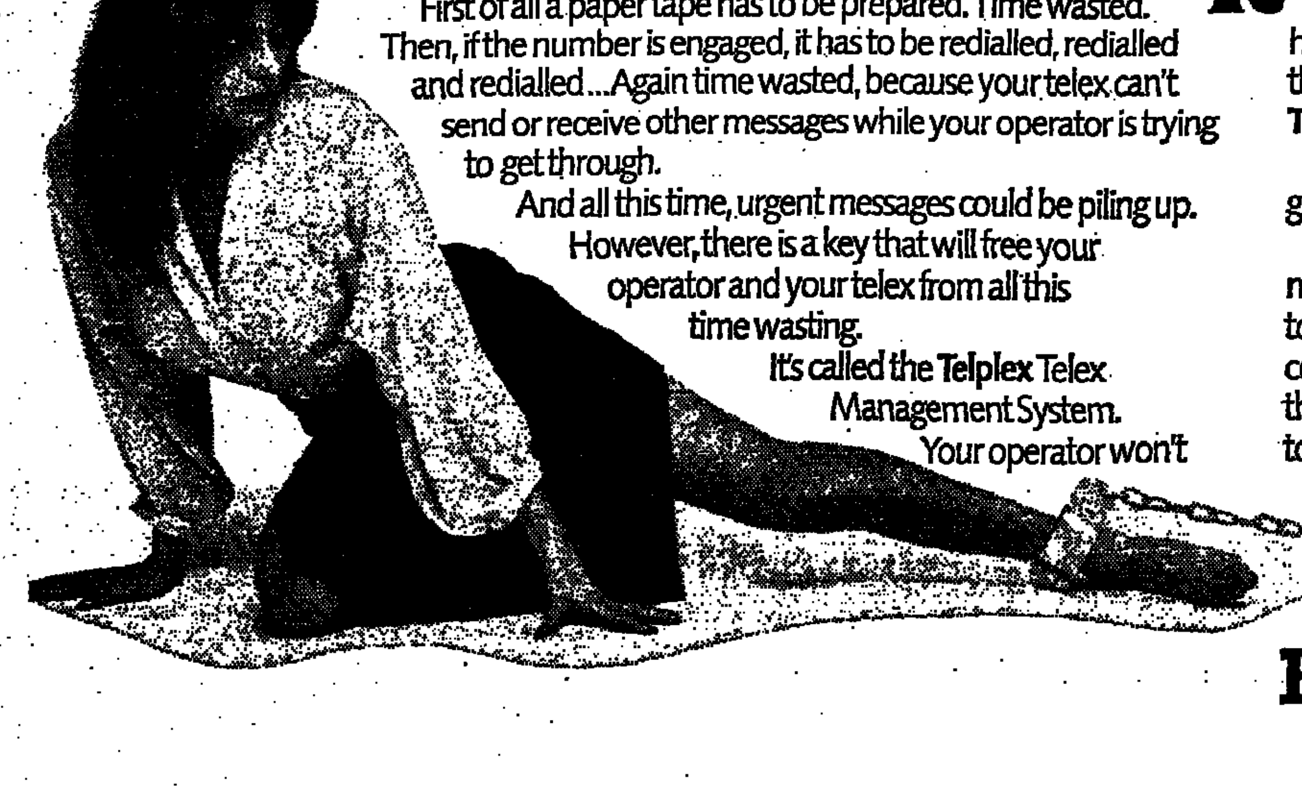
1—The notice to quit in the form supplied will suffice. You can accept rent for the period up to the date of expiry of the notice to quit. If money is tendered for any later period you should accept it only as "mesne profits" and without prejudice to your rights to seek to recover possession. This is to indicate that you do not intend to create a new oral periodic tenancy.

2—You should be able to press for an order for possession on this ground if an undertaking has been given.

3—Yes, you are entitled to cite any authority which you regard as relevant.

*No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.*





LOMBARD

# A powerless Cabinet?

BY PETER RIDDELL

THE POWER of ministers to influence events must seem very elusive to the Cabinet as it meets this morning to discuss the economy. This is nothing to do with the alleged exclusivity on economic matters of the Prime Minister and the Treasury. Instead it reflects what the Victorians called the force of circumstance.

The Government's freedom of manoeuvre has seldom been more restricted—by its past record, by manifesto commitments, by external pressures and by apprehension about the election prospects. The strategy has, of course, been modified since May 1979; the large handouts to British Steel and BL have been matched by what one official describes as a "less technical" view of sterling M3 as the main monetary target.

## Adjustments

Events since the Budget have, however, limited the scope for significant adjustments on even the most flexible interpretation of the strategy. The hope in March was that a tight fiscal policy would help to secure a further reduction in interest rates (preferably within three or four months).

The omens on fiscal policy are, admittedly, not all bad. There are signs—for example in the monthly central Government borrowing figures—that public spending will not overshoot significantly in 1981-82 and that public sector finances are at last starting to improve. But it is very early days yet and the figures are completely distorted by the Civil Service dispute.

The monetary outlook is murky for the same reason. Ministers can claim that the underlying monetary growth rate is within the target range but this is only after several adjustments for special factors. As brokers L. Messel pointed out on Monday, bank lending has been higher than one would expect at this stage of the cycle. Moreover, the sceptics point to a rise in the unadjusted money supply of 20¼ per cent in the last year and the big upward drift in the base in the current target.

Developments in the real economy have been more or less as was expected in March. There has been growing evidence of a flattening out of activity and unemployment has been rising more slowly than last autumn. But there have been no real signs of recovery.

The main new feature since the Budget has been the weakness of sterling. While so far this looks more like an adjustment than a crisis of confidence, the slide in early June was a reminder of the potential vulnerability of the exchange rate.

The result is that a cut in interest rates now looks to have been deferred indefinitely, the Government may be lucky to avoid an increase by the end of the year—for domestic as much as for external reasons. Economic forecasters have also been busy revising their inflation projections. While they may have over-reacted, a single figure annual rate of increase in 1982 has now moved from the middle to the optimistic end of the range of estimates.

## Gestures

The risks in the strategy have therefore been emphasised since the Budget and the Cabinet has no real choice today. There may be some gestures towards increased public sector investment, but there is no scope for any relaxation of fiscal and monetary policy if the inflation rate is to be held down.

Even if the disasters of a further sudden drop in output or a sterling crisis are avoided, the best that can realistically be hoped for during the next two years is unemployment of over 2½m and an inflation rate of around 10 per cent.

The danger is that this prospect will create a negative and almost fatalistic "there is no alternative" approach. Within the current constraints, however, there is plenty that ministers can do to try to improve the functioning of the labour and housing markets and to reduce the monopoly power of nationalised industries. Even partial success in these areas would have a larger beneficial impact on the British economy than all the familiar alternative strategies put together.

# Three of the best for the June border

## GARDENS TODAY

BY ROBIN LANE FOX

OUR GARDENS have begun to show their true colours after the rain, so I want to dwell on three of the best-loved families of June flowers.

Each increases by a different method. Each owes a special debt to a British gardener; and each of their champions came from widely differing circumstances.

A century ago their flowers looked far less exciting. Theirs is a tale of progress, until recently when they reached a point which can hardly be bettered. I hope it may encourage anyone who is embarking on a new or first garden and is wondering how to keep up with all the summer borders which are to be seen elsewhere. These three families are a quick and cheap route to success.

Of the three, the humblest story is the birth of the modern lupin. Our grandfathers knew two wild forms, one of which was the Tree lupin given by Mediterranean farmers to their herds. The other has longer spikes of flower but lacked the rich colours we enjoy today. By the 1920s, the two forms were being crossed and selected in line with the principles of a very practical observer.

George Russell had been a working gardener in Yorkshire, but had long fixed on the lupin as a flower with vast potential. Over 20 years, he crossed the two best-known species, found seed of several others and developed his own Russell lupin after patient and repeated experiment.

Writing recently of the Chelsea Flower Show, I was regaled by a reader's memories of an RHS Show in 1937 which he thought the finest on record. Then, the Russell lupin first came before the British public. The sensation, he assured me, has never been equalled.

I see no point in buying mature plants of named colours at £1 each. Lupins ought to run in long rivers of colour where the garden begins to fade into its wilder boundaries. They thrive in towns and in semi-shade.

Lupins dislike wet and heavy soil and will never last long at their peak. Manure, therefore, is a bad mistake, as the plants will become too leafy and flower less freely. The best lupin borders seem to stand on acid soil and to dominate the garden when the main azaleas are over. In a lime garden, the seedlings begin to turn yellow and are glad of some peat for comfort.

Like most of you, I prefer lupins in Mr Russell's original mixture. They range from bicoloured contrasts of lavender-mauve and cream to long spikes of a burnt brick-red which I find irresistible. If you sow the seeds now, you will have a good lupin border for next to no cost in 1982.

I remember the seed packets of the 1950s, on which long streams of red and yellow lupins stood in full flower and framed a small and plausible inset of Mr Russell himself. Bald and browned from hours in the lupin border, he gave a grey-moustached welcome to the world which he had created. Perhaps the portrait was true to life. Mr Russell, I believe, died at the age of 94.

If you admire somebody else's lupins, you can increase it quite easily from short cuttings taken in early April when it starts into growth. The clumps are not easy to divide because their stems are so woody. Instead, you can pull a strip of old wood off with the new shoots and grow the cutting in a light sandy soil for a year.

The lupin's one vice is its early disappearance from a border's summer ranks. By July, its stems have darkened and begun to dwindle. Ingenious gardeners can cover up the gaps with creeping annuals or well-placed clematis.

I would trust to the good old nasturtium if the colour-scheme allowed. It arrives among the lupins with a late August run and enjoys a similar soil. It will also deputise for my second family whose disappearance is no less abrupt.

I dare say that there were lovely Oriental poppies in June borders before the Perry family started to improve them. Good scarlets can still be raised from packets of plain seed. But here, it pays to buy named plants for their shape and colour, bred into them earlier this century by one of Britain's greatest families of nurserymen.

Unlike Mr Russell, Amos Perry extended his efforts to irises and other families and left hybrids of each which we still enjoy. This Home Counties nurseryman changed the range of a good June border by his life's work, above all by the superb white perennial poppy which bears the family name of Perry's White.

The red and salmon pinks are better known, but Perry's White is still the star of the family. It combines so freely with any colour and stands up straight in bad weather. Young plants flower freely in their second year and belong with the showers of white flower on climbing roses, the white geranium Rectum and the enormous stem of the giant cabbage called Crambe.

By July it has died away and left another space for a second filling. The first crop, however, is worth any effort for the contrast of the large white cups of papery petals with the central hub of dark black. Any sunny soil suits it if the drainage is not too bad, but poppies, like lupins, soon lose their vigour, so you must know how to make more from a parent plant.

Seed will not come true, so you should dig deeply below your Perry's White in March or April and remove its long tap-root for the pleasant art of root-cutting. Inch-long pieces of root can be cut and bedded into a box of sandy compost, watered well and allowed to grow into a cluster of young leaves.

By moving them into a nursery bed for a year you can multiply Perry's named poppies many times over. Mrs Perry is as pink as a well-cooked salmon, Marcus Perry a strong orange scarlet. All are good, but the white is particularly lovely.

Irises, finally, are a field to themselves, but they, too, are creatures of the past century and owe their fame to British amateurs. By 1850, a few bearded hybrids had arrived from France, but the iris's great future was built on quite a different class, the leisured parsons and the schoolmaster, the doctor and the Oxbridge don. Irises reached their peak at the end of the university term, so I like to think of their patrons turning with relief from pupil to iris and celebrating their release from teaching by notes on the new year's show of flower.

Life begins with the iris and the long vacation: we owe the origin of the modern hybrids in large part to the work of Sir Robert Foster, Professor of Physiology at Cambridge. Over 200 crosses stood to his name, spurring other amateurs to rival him.

Those enviable irises descend from his generation's vigilance and can be multiplied by begging divisions off a friend. After the parents have flowered, leave two or three weeks while their leaves and roots build up strength. Then, ask for a root or two in mid-July and reckon that each will make a bold clump after two years.

From working gardeners to Cambridge professors, the best June flowers have risen fast and far. I cannot believe that the next 50 years will see much improvements in these three great families, but those who know how to increase them will always find they are plants which anyone can still afford.

# Nasseem to fight off Irish trio

## RACING

BY DOMINIC WIGAN

IN SPITE of the absence of Fairy Footsteps from this afternoon's Coronation Stakes, the Group 2 event will be worth watching for it sees Nasseem and Tolmi taking on an Irish trio made up of Martinova, Lone Bidder, and Happy Bride.

It will be interesting to see how backers have decided to interpret the form of Kempton's recent UBM Merchants International Stakes. In a somewhat unsatisfactory race for that mile event confined to three-year-old fillies, Nasseem slipped the field on the home turn and was never caught by her five opponents.

Bruce Hobbs, who rarely voices criticism of his jockeys in public, felt that Edward Hide played a large part in the 9-4 on Tolmi's downfall there through trying to hold up the free-running 1,000 Guineas runner-up.

Although there may be some basis for his criticism the fact remains that Tolmi finished almost 14 lengths behind Nasseem and, what is more, looked dull in her coat.

I cannot see Tolmi, a precocious two-year-old, returning to her best and envisage Nasseem finding most trouble in repelling the challenge of Martinova. At the Curragh last time out, Pat Eddery's mount was made a 5-2 favourite to account for 14 opponents including Blue Wind in the Goff sponsored Irish 1,000 Guineas.

Although she did not win, Martinova ran a gallant race to finish only a length behind Arctique Royale and her short head victim, the subsequent Oaks winner.

Stable companions can only have dominated the finish to one of Royal Ascot's bigger handicaps on a handful of occasions since the Second World War. However, this does not stop me believing that Atlantic Boy and Imperial Ace may fight out a close finish to the Royal Hunt Cup.

ROYAL ASCOT

2.30—Cut Throat***
3.05—Shared Moment**
3.45—Atlantic Boy
4.20—Nasseem
4.55—Jungle Jim
5.30—Commodore Blake*

# TV/Radio

† Indicates programme in black and white

## BBC 1

6.40-7.55 am open University (Ultra high frequency only). 10.00 For Schools, Colleges. 11.25-11.37 You and Me. 1.12 pm Regional News for England (except London). 1.15 News. 1.30 Bagpuss. 2.01-3.00 For Schools, Colleges. 3.53 Regional News for England (except London). 3.55 Play School (as BBC 2 11.00 am). 4.20 Hong Kong Phooey. 4.40 The Song and the Story. 5.05 John Craven's Newsround. 5.10 Wildtrack.

5.40 News.
5.55 Regional News Magazines and Nationwide.
6.20 Nationwide.
6.45 The Wonderful World of Disney.
7.35 The Music of Wall Street Crash.
8.05 Inside Wimbledon.
9.00 News.
9.25 A Town Like Alice by Nevil Shute.
10.15 Cosmos.
11.05 Paperbacks with Terry Jones.
11.40-11.45 News headlines.

## BBC 2

6.40-7.55 am Open University.
10.20 Gharbar.
11.00 Play School.
2.15 pm Royal Ascot.
4.50 Open University.
6.55 Where Did You Get That Hat? featuring Gertrude Shilling.
7.15 Mid-evening News.
7.25 Did You See . . . ?
8.00 Workshop.
9.00 John Keats, a play in two parts.
10.20 Royal Ascot highlights.
10.45 Newsnight.
11.30 The Pursuit of Power: Robert McKenzie talks to The Rt. Hon. David Steel, MP.

## LONDON

9.30 am Schools Programmes. 12.00 The Munch Bunch. 12.10 pm Rainbow. 12.30 Music of Man. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 The Electric Theatre Show. 2.00 Live From Two. 2.45 Big Shamus, Little Shamus. 3.45 Play It Again. 4.15 Porky Pig. 4.20 How. 4.45 Into the Labyrinth. 5.15 Here's Boomer.

5.45 News.
6.00 Thames News.
6.25 Help!
6.35 Crossroads.
7.00 Where There's Life.
7.30 Coronation Street.
8.00 The Video Entertainers.
8.30 Have I Got You . . . Where You Want Me?
9.00 Nureyev.
10.00 News.
10.30 "Red Sun," starring Charles Bronson and Ursula Andress.
12.35 am Close: Sit Up and Listen with Sir John Boyd.

All IBA Regions as London except at the following times:—

### ANGLIA

1.20 pm Anglia News. 2.45 The Ante Room. 6.00 About Anglia. 10.30 The Wednesday Film: "Kate McShane," starring Anne Meara. 12.00 The Big Question: "Shouldn't all Christians live simply that others may simply live?"

### ATV

1.20 pm ATV News. 2.45 The Ante Room. 5.15 Survival. 6.00 ATV News. 6.05 Crossroads. 6.30 ATV Today: Police Five. 10.30 ATV News. 10.35 The Midweek Film: "Puppet On A Chain," starring Sven Bertil Taube and Barbara Parkins.

### BORDER

1.20 pm Border News. 2.45 Fantasy Island. 5.15 University Challenge. 6.00 Lookaround Wednesday. 10.30 The Monte Carlo Show. 11.30 Border News Summary.

### CHANNEL

1.20 pm Channel Lunchtime News, What's On Where, and Weather. 2.45 The Ante Room. 5.15 University Challenge. 6.00 Channel Report. 10.28 Channel Late News. 10.35 The Midweek Film: "Island Of Terror." 12.10 am News and Weather in French followed by Epilogue.

### GRAMPIAN

9.25 am First Thing. 1.20 pm North News. 2.45 The Ante Room. 5.15 Diff'rent Strokes. 6.00 North Tonight. 10.30 Tenspeed and Brown Shoe. 11.30 North Headlines. 1.35 Seachd Laithean (review of the week's news in Gaelic).

### GRANADA

1.20 pm Granada Reports. 2.45 Doctor's Private Lives. 5.15 Square One. 6.00 Granada Reports. 6.25 This Is Your Right. 10.30 SWAT. 11.25 Rockstage.

### HTV

1.20 pm HTV News. 2.45 Chopper Squad. 4.45 Bailey's Bird. 5.15 Dick Tracy. 5.20 Crossroads. 6.00 Report West. 6.30 Into the Labyrinth. 10.28 HTV News. 10.35 "Daddy's Gone-a-Hunting," starring Carol White.

HTV Cymru/Wales—As HTV West except: 12.00-12.10 pm Flalabalam. 4.45-5.15 Tân Yn Y Môr. 6.00 Y Dydd. 6.15-6.30 Report Wales.

### SCOTTISH

1.20 pm News and Road and Weather. 2.45 The Ante Room. 5.15 Teatime Tales. 5.20 Crossroads. 6.00 Scotland Today. 6.20 Toye's Talkback. 6.30 Report: The Royal Navy at Coulport, on the shores of Loch Long. 10.30 Tenspeed and Brown Shoe. 11.30 Late Call. 11.35 Seachd Laithean.

### SOUTHERN

1.20 pm Southern News. 2.00 Houseparty. 2.25 The Spoils of War. 3.20 Life Begins at Forty. 5.15 Undersea Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Day By Day. 6.35 Scene Midweek (South-East Area only). †10.35 "Eyewitness," starring Donald Sinden.

### TYNE TEES

9.20 am The Good Word. 9.25 North-East News. 1.20 pm North-East News. 1.25 Where the Jobs Are. 2.45 Young Ramsay. 3.15 Life Begins at Forty. 5.15 The New Fred and Barney Show. 6.00 North-East News. 6.02 Crossroads. 6.25 Northern Life with Tom Coyne. 10.30 North-East News. 10.32 Hagen. 11.30 Mind Over Matter.

### ULSTER

1.20 pm Lunchtime. 2.45 The Ante Room. 4.13 Ulster News. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Good Evening Ulster. 6.30 Family MHatters. 10.29 Ulster Weather. 10.30 Rockstage. 11.30 Bedtime.

### WESTWARD

12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 2.45 The Ante Room. 5.15 University Challenge. 6.00 Westward Diary. 10.32 Westward Late News. 10.35 The Midweek Film: "Island Of Terror," starring Peter Cushing and Edward Judd. 12.10 am Faith For Life. 12.15 West Country Weather and Shipping Forecast.

### YORKSHIRE

1.20 pm Calendar News. 2.45 The Ante Room. 5.15 Mork and Mindy. 6.00 Calendar (Emley Moor and Belmont editions). 10.30 Brass in Concert. 11.15 Mind Over Matter. 11.45 Paris By Night.

## Radio Wavelengths

1 1053kHz/285m, 1089kHz/275m
2 693kHz/433m, 909kHz/330m & 88-91vhf stereo
3 1215kHz/247m & 90-92.5vhf stereo
4 200kHz/1500m & 92.95vhf

BBC Radio London: 1458kHz, 206m & 94.9vhf
Capital Radio: 1548kHz, 194m & 95.8vhf
London Broadcasting: 1151kHz, 261m & 97.3vhf

‡ Medium Wave
(S) Stereophonic broadcast

### RADIO 1

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.00 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.30 Dave Lee Travis. 4.30 Peter Powell. 5.30 Newsbeat. 7.00 Radio 1 Mailbag. 8.00 Richard Skinner. 10.00-12.00 John Peel (S).

VHF only—5.55-6.55 am and 11.10 pm-12.35 am Open University.

### RADIO 2

5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 John Dunn (S). 2.00 Ed Stewart (S). 4.00 Steve Jones (S). 5.45 News and Sport (S). 6.00 David Symonds (S). 8.00 Listen to the Band. 8.45 Alan Dell. 9.15 Among Your Souvenirs (S). 9.55 Sports Desk. 10.00 Stop World. 10.30 Hubert Gregg. 11.00 Brian Matthew. 1.00 am Truckers' Hour (S). 2.00-5.00 am You and the Night and the Music (S).

### RADIO 3

6.55 am Weather. 7.00 News. 7.05 Your Midweek Choice: Strauss, Schubert, Handel (S). 8.00 News. 8.05 Honegger, Liszt, Ravel. 9.00 News. This Week's Composer: Hadyn (S). 10.00 Soprano, Cabinet and Piano (S). 10.35 John Williams (S). 11.15 Kamerata Bern (S). 1.00 pm News. 1.05 Concert Hall (S). 2.00 Music Weekly (S). 2.50 Brahms (S). 4.05 Youth Orchestras of the World (S). 4.55 News. 5.00 Mainly For Pleasure (S). 7.00 Schumann. 7.30 Scientifically Speaking. 8.00 College Concerts 1980-81 (S). 8.45 Six Continents. 9.05 College Concert, part 2 (S). 9.45 Handel (S). 10.15 Spuk—Epilogue (S). 11.00 News. 11.05-11.15 Piano Nocturnes (S).

### RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today, including 6.45 Prayer for the Day; 7.00, 8.00 Today's News; 7.30, 8.30 News Headlines; 7.45 Thought for the Day. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Midweek: Russell Harty's People. 10.00 News. 10.02 Gardeners' Question Time. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Baker's Dozen (S). 12.00 News. 12.02 pm You and Yours. 12.27 It Makes Me Laugh. 12.55 Weather. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre. 3.50 Bean on the Borders. 4.00 Choral Evensong (S). 4.45 Story Time. 5.00 News. 6.00 News. 6.30 My Music (S). 7.00 News. 7.05 The Archers. 7.20 Checkpoint. 7.45 Sailing. 8.45 Analysis. 9.30 Kaleidoscope. 10.00 The World Tonight. 10.30 The Lord of the Rings (S). 11.00 Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

### BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.03 Morning Star. 10.03 The Robbie Vincent Telephone Programme. 12.30 pm London News Desk. 12.40 The Total Music Show. 2.30 Tony Blackburn. 5.00 News. 5.15 Music on the Move. 6.33 The Name of the Game . . . Tennis. 7.03 Black Londoners. 8.00 As Radio 1. 10.00 Question Time from the House of Commons. 11.00-5.00 am Join Radio 2.

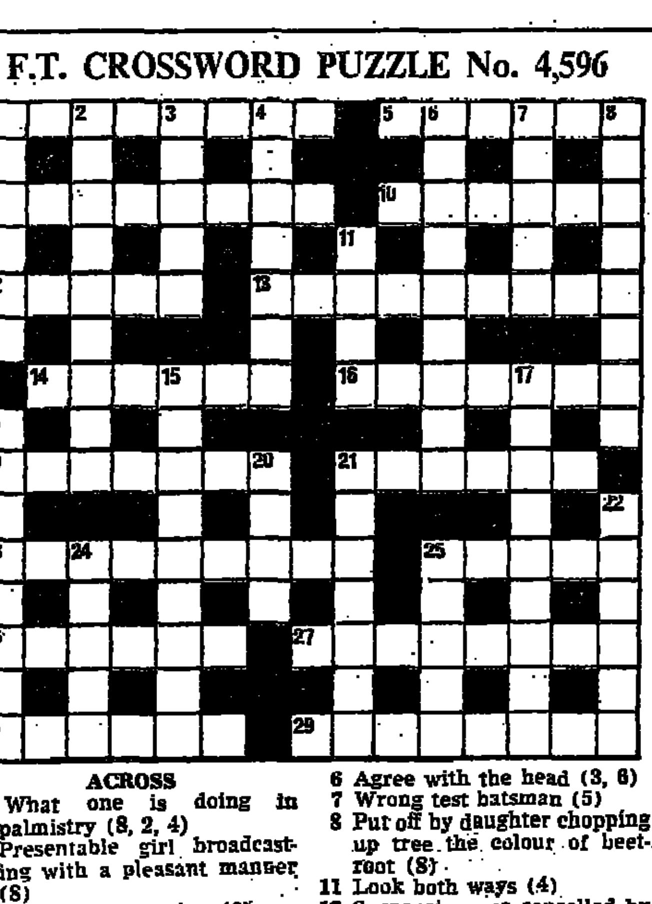
### London Broadcasting

5.00 am AM—Bob Holness and Douglas Cameron. 10.00 Brian Hayes. 12.00 LBC Reports. 7.00 pm London Life. 9.00 Nightline. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 4.00 Network. 5.00 Morning Music.

### Capital Radio

7.00 am Mike Smith's Breakfast Show. 10.00 Michael Aspel. 12.30 pm Mike Allen. 1.00 First Report. 1.10 Mike Allen (continued). 3.00 Roger Scott. 6.30 London Tonight. 8.30 Nicky Horne. 10.30 John Sach's Late Show. 12.00 Midnight Special.

## F.T. CROSSWORD PUZZLE No. 4,596



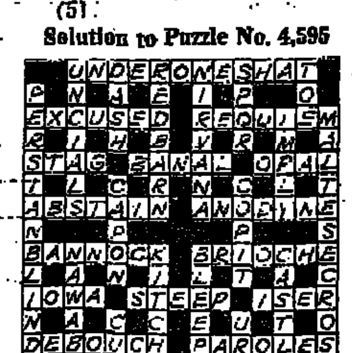
ACROSS

1, 5 What one is doing in palmistry (8, 2, 4)
9 Presentable girl broadcasting with a pleasant manner (8)
10 Notice rent straying (6)
12 Forbidding one quarter of filth (5)
13 Request to teacher suits the Inland Revenue (6, 3)
14 Artist caught in gas (6)
16 Before and after time with churchman (7)
19 Order a river to wander (7)
21 Sleep during pet card game (6)
23 Return thanks to tax on quality (9)
25 Get over without being spotted (5)
26 Loyalty due to silver in house (6)
27 Shares accommodation (8)
28 A trend becoming passionate (6)
29 Clerical sound of novelist (8)

DOWN

1 Chap on time turning up in bar (6)
2 Like this second-class relative she tugs at readers' heartstrings (3, 6)
3 Not a Church of England member for the present (5)
4 Boss in a jumper (7)
6 Agree with the head (3, 6)
7 Wrong test batsman (5)
8 Put off by daughter chopping up tree the colour of beetroot (8)
11 Look both ways (4)
15 Suspension not cancelled by waiting (7, 2)
17 Humiliation in a place below stairs (9)
18 Stop three articles becoming material (8)
20 First person upset useless birds (4)
21 Square oral examiner (7)
22 Surly quality of French bread (6)
24 Faint-hearted, it turns back halfway (5)
25 Turn victory into restoration (5)

Solution to Puzzle No. 4,595



# ENTERTAINMENT GUIDE

OPERA & BALLET

COLISEUM. S 836 3161. CC 240 5258. Until July 11. Evgs. 7.30. Mat June 20 & 27 at 2.00 NUREYEV FESTIVAL Until Saturday GISELLE with London Festival Ballet. Nureyev dances every performance.

[illegible]

THEATRES

NEW LONDON THEATRE, CC Drury Lane, London WC2. 01-405 0072 or 01-405 1567. Booking now until Feb. 1982. (nearest Underground Covent Garden). Evenings 8.0 Tues and Sat 3.0 and 8.0.

[illegible]

THEATRES

WINDMILL. CC. 01-437 6312. Twice nightly Mon.-Sat. 7.0 and 9.0 pm. Sun. 6.0 and 8.0 pm. Paul Raymond presents RIP OFF! Hotter than ever for 1981. The erotic experience of the modern era.

[illegible]

CINEMAS

[illegible]

ART GALLERIES

[illegible]

CLUBS

[illegible]

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هكذا من الأصل

# THE ARTS

**Television**

## Not such a silly season by CHRIS DUNKLEY

Sumer is icumen in
Lhude sing Dan Maskell
and if previous years are anything to go by, he will need to because it is usually in about mid-June that the rest of television starts its long summer hiatus. As increasingly large flocks of viewers adopt their normal summertime practices of winging their way south lazing in the garden and so on, the population roosting in front of the television shrinks so much that top rated programmes attract a mere 12m instead of the 20m they might get in November.

That, presumably, is why the year's first reported hearing of "Ooh! I *say!*" accompanied by the characteristic cry of "Thirteigh, forteigh" so often coincides with the appearance in other parts of the wood of large quantities of artificial American birdseed. Nowadays some of it isn't even fresh: *Roots,* which was in pre-digested form even before being offered for the first time looks quite a lot less palatable now that we are being invited to consume it again.

This year the trouble is that programme standards were already being uncomfortably affected by the recession long before the summer doldrums approached. More and more new series, especially from the BBC, have been talking-head shows chosen for their economy. Some such as Robin Day's *Question Time* and Robert McKenzie's *Pursuit of Power* have been remarkably good and would have been worth their air-time, recession or no recession.

The same goes for the new though brief ITV series *Where It Matters* in which Desmond Wilcox has been doing what he always did particularly well: chairing large public meetings to debate controversial social issues. The two I have seen — in Sheffield discussing the rates war between central and local government, and in Bradford discussing race — have both contained distressing evidence of the growing intolerance of the Left. Shouting down attitudes you dislike is fast becoming standard Left-wing practice. In the chair Wilcox has "reaped his old reward": the hate of those he guards. Yet such eye-opening scenes have been as valuable as the arguments expressed.

But other talk shows such as *The Theatre Quiz* in which Alfred Marks has been promoted from quizee (at which he is good) to quizzer (at which he is not) and a news quiz called *Scoop* chaired by Barry Norman (heavily tipped as the next Parkinson) might have had trouble finding space in the schedules in a more prosperous era. They are amusing enough but certainly not the sort of series that would make you hurry home to switch on every episode.

Sir Hugh Casson

Of course there has never been a time when the schedules contained more than a handful of "hurry home" programmes but with the ending last Wednesday of both *Private Schulz* and *Personal Pleasures with Sir Hugh Casson* my own current list was wiped out entirely in 1½ hours.

The latter four episodes of *Schulz*, set mainly in France and England, never managed to equal either the originality or the comedy of the first two wonderfully manic episodes set in Hitler's Germany. But they did achieve an atmosphere and occasionally even a technique which took them closer to the spirit of vintage Ealing comedy than anything else I have seen originated by television, including (especially) Eric Sykes' recent ITV comedy *If You Go Down In The Woods Today.* Though obviously made with fond memories of Ealing that was too mannered, deliberate and over-worked ever to reach true Ealing standards: a wodge of mashed potato instead of fast-fried chips.

*Schulz* was at its least successful when resorting to social observation (the over-long sequence with the English double-agent in the pub for instance) and best when exploiting the classic elements of farce such as sex (in the Salon Kitty and with the French countess as the chateau was shelled) and the chase (Schulz escaping by small boat from England to arrive on the beach at Dunkirk during the evacuation). If the series does not result in endless offers for Michael Elphick who played Schulz and Ian Richardson who seemed to play everybody else, there is no justice in the world.

*Personal Pleasures With Sir Hugh Casson* was one of those series like W. G. Hoskins' *Landscapes Of England*, Alec Clifton Taylor's *Sir English Towns* and various people's *Spirit Of The Age* in which presenter, subject matter, and the fondness of one for the other combine to provide a peculiarly endearing and deeply English experience. Admittedly Sir Hugh included Portmeirion and Clough Williams-Ellis among his subjects, but then the idiosyncracies of Williams-Ellis and his village and the Porteirion mafia always were more English than Welsh.

The other subjects and places —Ruskin, G. F. Watts, Castle Drogo, the Russell Coates Museum and the Royal Academy itself—all proved to be quirky, old fashioned, likeable and surprisingly obscure. On all of them Sir Hugh spoke with an entirely convincing familiarity, as though he had known them intimately all his life. In some cases perhaps he had, but it was on those that he could not have known that he was most impressive.

When *The Making of Mankind* ended on Monday the outlook seemed even flatter, though that is not to suggest that Richard Leakey is a hurry-home character. With his habit of delivering little speech-day homilies and then arguing backwards from his fashionable predilections (*man is naturally cooperative not naturally aggressive, physical distinctions between races are undeniable, all other racial distinctions to be denied, nurture is central to behaviour, nature incidental, and so on*) his scripts have often been distinctly irritating. Yet when the programmes stuck to facts and visual observations—on cave painting, hunter-gatherers and so on—they were often fascinating.

With that series and *Private Schulz* and *Sir Hugh* all gone the schedules began to look decidedly lacklustre. Even at the opposite end of the quality spectrum in the Jictar Top 10 which invariably contains a high proportion of the meretricious, things look more than usually depressing. Slots 1 and 9 are filled by secondhand American series (*Hart to Hart* and *Magnum*) soap operas occupy four more slots (two each for *Coronation Street* and *Crossroads*) a repeat (of *The Professionals*) is at No. 5, and the other three places are filled by the sickly *Shillingbury Tales*, *World Cup Football*, and an unremarkable comedy called *Misfits*.

The feeling of barrel-scraping is emphasised by ITV's raid on the BBC cemetery to exhume the corpse of Alf Garnett in *Till Death*, a despairing measure which throws a pitiful light on the level of originality and initiative in ITV. I did have a sneaking suspicion that it might nevertheless work all too dreadfully well: Johnny Speight's old monster might prove as endlessly revivable as Frankenstein's, and just as effective in entertaining a new generation, 17 years after his first appearance.

That has not proved to be so. Where once there was shock, belly laughs and outrage there is now pathos, sad smiles and lethargy. Speight has moved his anti-hero out of the Wapping back-to-back and into an Eastbourne bungalow. The son-in-law has disappeared, Patricia Hayes is drafted in as Min the lodger, and Dandy Nichols, whose immense strength as Else was always that she said so little and looked so much, now gets more lines than are good for the character.

The only glimmer on ITV's comedy horizon is *Sorry I'm A Stranger Here Myself* which has Robin Bailey as the husband of a woman whose life is geared entirely to the television schedules. Episode 1 contained some cherishable verbal humour: can it last?

Quite definitely on the credit side have been three one-off programmes: Mike Beynon's marvellous film about the urban foxes of Bristol, *20th Century Fox*, which included even more amazing infra-red night sequences than those we saw in *Fox Watch* (foxes can collect the Kentucky Fried Chicken detritus from the front of *my* house any time they like); Keith Cheetham's *Markova* with its eye-opening sequences of '50s film of the great ballerina; and in "Playhouse" on BBC 2, still sustaining its reputation for variety, an American adaptation of Dorothy Parker's short story *Big Blonde*. British costume drama may often be better, but this, with Sally Kellerman's tragic good-time girl, was still impressive by any standards.

And with sumer icumen in, *Inside Wimbledon* on BBC 1 tonight, and *The First Test* starting on BBC 1 tomorrow morning, is the field now clear for Dan Maskell and Peter West? Not exactly: tonight also offers the third part of the BBC's new version of *A Town Like Alice* which started on Monday, the first part of *John Keats* perversely clashing with it on BBC 2, and just to make life quite impossible John Tagholm's documentary about *Nureyev* on ITV. Furthermore on BBC 1 at 10.15 Carl Sagan, the man whose Christmas lectures for children at the Royal Institution a few years ago were so memorable, starts a 13-part series on the *Cosmos*. Could 1981 really have seen the shortest silly season on record?

Raina Kabaivanska

*Leonard Burt*

**Covent Garden**

## Madama Butterfly

by MAX LOPPERT

Raina Kabaivanska gave on Monday her first London Cio-cio-san. In her too-infrequent appearances at the Opera House, as Desdemona, Liù, and Tosca, the Bulgarian soprano has built up a following — rightly so, for she is a singer of uncommonly careful and perceptive style, and a slim, graceful actress. In many respects her Butterfly proved the most polished this house has encountered in recent revivals. The role is completely "played in," completely thought out; in such things as the conversational exchanges of the second act, where the range must briefly be broadened beyond romantic longing, and where the less good Butterflys go astray, words and tone were lightly and winningly inflected, thrown off (but never away) with rare subtlety, the portamento expertly judged. There were many other instances of a similar subtlety at work, in asides, moments of repose, a specially gentle communion with Suzuki. There is nothing in the least coarse in Miss Kabaivanska's stage persona, and it tells.

Was something missing? In the end, I felt so. Though the role has been accommodated by the widest spectrum of soprano vocal types—Toti Dal Monte to Eva Turner, as it were —it responds most naturally to a kind of vocal abandon at crucial points that Miss Kabaivanska does not now command. In exaltation and in final tragic resolve there was, on Monday, a sense of "negotiation" in the attack that one admired for its intelligence and, often, for its success (only a handful of climaxes turned shrill, and even then the pitch was truly maintained). But the ideal freedom and also the proporly ripe, sensuous bloom of tone could not be summoned at will; the central driving passion, physical and moral, activating the character (and making bearable the lengthy dramatic unfolding), was something one had to take on trust.

The revival, a considerate and affecting one (though the ageless Fedorovitch sets surely deserve smoother transitions of day and night, on a less rumpled cyclorama, from the lighting technicians), also brings Dennis O'Neill to London for his first leading role. Good to hear, from a young British tenor, such phrases of genuine lyrical sweetness, in a well-formed Italian; the voice is not large, but it takes to the music.

Leo Nucci, who in his floppy hat and moustache assumes a sudden striking resemblance to the young Richard Strauss, is strong casting as Sharpless; so is Josephine Veasey, returned to the house in excellent voice, as Suzuki (Miss Veasey's meeting with the Kate of Diana Montague was notably well handled). The revival is conducted by Lamberto Gardelli.

**Wigmore Hall**

## Lontano by DOMINIC GILL

Under its director, Odaline de la Martinez, Lontano has developed over the years into one of the most consistently eclectic and enterprising of our small new-music ensembles. In two programmes at the Wigmore Hall this mont hand next, under the title of "British/American music," the group are offering four world premieres, as well as a pair of British and London first performances—and in each programme a major chamber work by the American composer George Crumb.

Monday's premiere was by Nichola LeFanu: a *Trio* for flute, cello and percussion whose "starting point was some of the secred dance" which the composer saw in Durham's Oriental Festival in 1979. It is a modest canvas of spare, widely-spaced gestures tailing often into silence; even when the movement is more urgent, taking off for a moment in a scurry of activity, it quickly subsides. There is much use of ostinato, and of refrains (some clear and simple, others shyer and more complex) to punctuate and frame. Many of the ideas—and especially the dramatic implications of a big percussion cadenza towards the end—were promising; but their actual working was curiously dry and thin. Edges were blurred, nothing was finally asserted: too many threads were left untied. What began as a bold poetic statement ended as a decorative trifle.

In Anthony Gilbert's *Vasanta with dancing*, the other recent work of Lontano's evening, the Eastern influence was more strongly marked. *Vasanta* is a spring raga, whose components Gilbert uses to weave an oriental fantasy for five instruments and percussion. The grip of the music was altogether more purposeful and incisive than LeFanu's—yet somehow not more decisive in its final cast. So many passages, long or short, which one would have been delighted to hear expanded into another, single piece, crowded together—a hectic journey of twists and turns, halts and reversals, difficult to perceive as a coherent design. The fault may well lie with the listener: I would welcome second and third performances soon, and the chance to unravel the knot.

As well as George Crumb's less characteristic sonata for solo cello (his earliest published work, played with fine assurance by Melissa Phelps), Lontano also gave us the four books of his *Madrigals* complete. Each book (composed between 1965 and 1969) sets three fragments of Lorca for a different small ensemble—the first three for a trio of voice and percussion with, respectively, double-bass, flute, then harp; the last a quintet. Each one of the dozen settings is a microcosm of Crumb's music from the Sixties: a sequence of tiny gems, supremely elegant, cut with simple, brilliant strokes, dappled with flecks of light and shade, every tint and line precisely gauged. The economy of effect is remarkable: a splinter of tiny bells breaking over a single flutter-tongued flute note; a sudden dramatic convergence of voice and vibraphone, who touch notes together then soar apart; an unearthly trio of low flute, double-bass harmonics and glockenspiel. The soprano soloist Karen Jensen, discreetly amplified, sang her part not always with the most spectacular accuracy, but with unfailing sensitivity and beauty of tone.

**Book Reviews**

## And then the lover . . . by MICHAEL COVENEY

**Bernard Shaw and the Actresses** by Margot Peters. Doubleday, £8.75. 460 pages
**Innocent Flowers, Women in the Edwardian Theatre** by Julie Holledge. Virago, £9.95 (paperback £4.50). 218 pages
**Understudies, Theatre and Sexual Politics** by Michelene Wandor. Eyre Methuen, £2.95, 88 pages

At the opening London performance in 1889 of Ibsen's *A Doll's House* one famous line was accidentally omitted. The actor Herbert Waring forgot to say "No man sacrifices his honour, even for one he loves" thus precluding Nora's immortal reply, "Millions of women have done so."

The translator, William Archer, was horrified, but the matinee audience in the little Novelty Theatre remained placid and polite in their reception. Only Bernard Shaw, it seems, came away convinced he had seen a play that "gave Victorian domestic morality its death-blow." At the same time, he was hopelessly smitten by the actress playing Nora, Janet Archer, and she became for him an object for pursuit as well as a symbol of the New Woman.

Margot Peters has written a majestic and highly entertaining book about Shaw's relationships and their importance to his art and theories. Any biography at the moment must be a stop-gap before the appearance of Michael Holroyd's. Shaw's life was too full, too varied and too complicated to be contained in a partial view of his activities. But the ornate self-consciousness of his love life, the impassioned primness of his devotions, does spill over into the plays, and Margot Peters makes some telling connections.

It now appears that he *did* sleep with Jenny Patterson before writing about her in *The Philanderer*; the triangle in *Candida* is known to be based on GBS, Archer and Carrington, but the patient unravelling of the affair is unexpectedly rewarding; the eclipse of Achurch in Shaw's affections by Ellen Terry is clearly marked by the *Cymbeline* review of 1896. ("With the single exception of Homer, there is no eminent writer, not even Sir Walter Scott, whom I can despise so entirely as I despise Shakespeare when I measure my mind against his.")

The book balances strict chronology with imaginative investigation. It still comes as a shock to remember that Shaw courted Terry for years without meeting her. But despite all this romantic folly, Shaw was consistent in his advocacy of Ibsen as a woman's dramatist, of the need for women theatre managers and for plays written by women. Elizabeth Robins, the American actress and one of many impressive feminists of the day, did not care for Shaw. But Shaw's respect for her, and her colleagues, was undaunted.

The sound of Nora slamming the door on Torvald echoed down the years. There was a feminist underbelly even to the work of Ibsen, Shaw, Robins and Mrs Pat Campbell. This is the subject of Julie Holledge's marvellous account of an organisation called the Actress's Franchise League. A subsidiary of the suffragette movement, the league went public in 1908 and attracted all the actresses of the day, from Irene Vanburgh downwards. Julie Holledge includes illuminating excerpts from long-forgotten feminist playlets, many of them produced by Edith Craig, daughter of Ellen Terry by Edward Godwin.

The book tapers off into an account of the lesbian ménage of Small Hythe where Edith lived with Chris St John and a third formidable lady, a painter widely known as "Tony." But the evidence of their work is meticulously compiled and makes a good claim for Edith Craig to be considered a key theatrical feminist alongside Elizabeth Robins, Florence Farr, Miss Horniman, Lena Ashwell and Lilian Baylis.

After all this cool excavation it is depressing to find Michelene Wandor beating on as if women only took up theatrical cudgels in 1968. The style is tattered polemical, couched in the most dreadful Marxian jargon about the division of labour and so on. Critical analysis and historical awareness are minimal.

Joan Littlewood is slightingly referred to as "working mainly with male writers." So what? Critics, of course, are predominantly "male." If they were predominantly "female," you can be sure this would be another example of women only being allowed to go "so far," like publicists and stage designers.

The book's terms of reference are hopelessly narrow and arrogantly maintained.

**New Half Moon**

## The Worlds by MICHAEL COVENEY

*The Worlds* is Edward Bond's first play since *Saved* to be placed in a contemporary setting. Although persistently allegorical in tone, it releases a series of real arguments about the use of terrorism, the justness of militant industrial action and the machinery of capitalism. Only on the third topic does the writing stray into fancifulness. We are not told enough about hte fictional company to be sure of the boardroom logic of what happens once the boss, Trench, has been kidnapped in the middle of a strike.

The writing is swift, often humorous, and to the point. I saw the play performed two years ago by students in Newcastle. Nick Hamm's new production carefully delineates the three spheres of action and is especially good at the ironic counterpoint of terrorism with union militancy. The pickets, in the end, refuse to disown the terrorists who follow the kidnap with an abduction of a director's chauffer. Who is so moral he can, in all honesty, point a finger?

The picket who articulates that argument, Terry, is played by the same actor, Ian McDiarmid, who plays Trench. This doubling up, not done at Newcastle, is not only a fine concept in itself, but also marvellously executed by Mr. McDiarmid. Trench declines into the role of an eccentric nutter, an industrial age King Lear, while Terry occupies the boardroom with his sweet, but dangerous, reasoning.

The play is also rich in company scenes: the board meeting where, after the kidnap, Trench is informed of the putsch in his absence, the social gathering at which a commissioned portrait is revealed as a fairground joke and his former colleagues and their wives degenerate into a show of corporate hysteria; and a farcical discussion of how you evaluate a human life in the wake of a ransom demand.

The directors' wives are doubled with a rational Establishment figure and two girl terrorists by Linda Spurrier, Sian Thomas and Johanna Kirby. All three are excellent. Miss Thomas ploughs riotously through the decorum of the social gathering before stripping off with sardonic abandon. Miss Kirby delivers a fine speech about Bond's notion of the two worlds: the one of appearance and the one of reality.

Bond's premise is that industrial unrest is certain to end in a situation where a modest pay rise is gained by tactics far more unruly than we now tolerate. Whether or not you feel inclined to accept this, the dramatic metaphor strikes me as a valid and disconcertaing way of conducting the debate. I am convinced that the play will come to be recognised as one of the playwright's most important to date.

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Telephone: 01-248 8000

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# Money in an open world

THE MONETARY authorities in Germany and Switzerland especially will have little hesitation in endorsing the warning given in the annual report of the Bank for International *Settlements in* Basle: excessive reliance on monetary policy in one country can pose acute problems for its trading partners. The recent rise in dollar interest rates and its exchange rate faces such countries with a dilemma with no satisfactory solution, for they must either impose interest rates whihc are high in real terms, risking slump, or suffer higher inflation.

It is good to have the authority of the BIS behind this sharp reminder that no country—and certainl ynot the bigegst in the free world—should frame its domestic policies without regar dto the international consequences. The logical extension of this warning, which is that good neihbourliness demands fiscal as well as monentary restraint, may be unwelcome to the U.S. Administration, but would bring relief to Wal lStreet as wel las to the major Europeon economies. This is a message which will no doubt be repeated in the midyear assessment fro mthe OECD, an dheard again at the forthcoming economic summit.

### Inadequate

However, the BIS warning, which is a natural response to recent events, comes as the conclusion to a lengthy analysis of their underlying causes; and here the BIS may find less widespread agreement. Its central message *is that monetary* restraint, whether imposed by monetary or fiscal meaus, is in any case an inadequate answer to the domestic problems to which it is adressed. The BIS urges that other policies, including structural reforms aimed at reducing monopoly power of all kinds, and some form of incomes policy, are also necessary to support the objectives of monetary restraint, and ensure that it makes its maximum impact on prices rather than on output.

This argument cannot be faulted for abstract logic, but it can be questioned for realism and relevance. Talk of "structural reform" sounds innocuous, but the issue is a struggle over power — political as well as market power. Governments in inflation-prone countries often represent, directly or indirectly, the power centres which the BIS would have them attack.

The search for solutions to this problem is as old as the century, but the only effective answers so far found in countries where the problem is most persistent have been open trading and financial discipline. Calls for more direct attacks on the problem are calls for a change in the nature of the societies concerned, and are about as effective as other sermons on sin. Even on the most sanguine view, the timescale involved is enormous.

This part of the BIS message is in any case likely to be less persuasive than its authors may hope simply because it comes from the BIS; a club of central bankers never sounds at its best when it argues that fighting inflation cannot be a purely central bank responsibility. True as this may be, it is best said by someone other than central bankers. This is not simply a captious objection; the sad fact is that bankers who devote their energies to urging virtue on others sometimes neglect problems nearer home.

*This is* unhappily true, to some extent, of the BIS report. The analysis of fiscal policy errors, and of the dangers of stifling the private sector by contradictory fiscal and monetary policies, is admirable, but it is incomplete.

### Dangerous

What is missing is a clear account of the financial result of these policy errors. The vast financial saving by Opec countries has been unmatched by any corresponding rise in real investment. It is partly for this reason that international capital —deposited in the banking system, and lent on to governments rather than invested in *specific projects—is so mobile*, and interest rate differentials so disruptive. In the long run, moreover, an endless growth of a debt structure with no sound base in real assets is obviously dangerous. Central banks must no doubt strive to preserve calm and do much of their good by stealth; but this does not seem an adequate reason for total silence, or for passing the buck.

# An Alliance problem

THERE IS one central point to remember as the British Cabinet meets tomorrow to discuss the latest defence review. It is that defence is an Alliance rather than a purely national problem.

The escalation of defence costs — which means that governments are having to spend more and more to procure less and less — is not confined to Britain. The West Germans have been facing similar difficulties with their defence budget. The U.S., which has recently embarked on a major increase in defence expenditure, has repeatedly found that the cost of individual programmes has exceeded the original estimate by several hundred per cent.

At the same time, Soviet military strength continues to grow. There is no obvious case for reducing the defence effort. There is a case, however, for rationalising the use of defence resources within the Atlantic *Alliance*.

British defence resources probably are too thinly spread over too many areas: the Channel and the eastern Atlantic, the European front and air defence. But the conclusion to be drawn from that is that the Government should go to Nato as a matter of urgency and call for greater specialisation in the defence of the Alliance as a whole. No solution will be found in paring at the edges yet again. The objective should be a Nato, not a British defence review.

Disagreements between the exchequer and defence ministries over defence spending are not confined to Britain either. They are the common stock of democratic government. One answer might be to involve finance ministers in defence planning from the start. They could go to Nato meetings alongside defence ministers. Too often at present the Alliance's Defence Planning Council appears to be living in a world of its own, accepting commitments to spend in Brussels which it must know will be impossible to implement at home.

### Trident

As for Trident, that too is an Alliance question. If the Government can show that the *Alliance* wants a continuation of the British independent strategic deterrent, well and good. The Alliance might then help to pay for it, or at least ease the British defence contribution elsewhere. If not, we think that Trident is an expensive luxury. The money could be better spent on conventional defence.

# Monopoly power

A STRONGLY unionised, state-owned monopoly affords ample opportunity for management and unions to advance their own interests without much regard to anyone else's. Last week one of the principal gas industry unions threatened to launch protest strikes if the Government took steps to transfer the British Gas Corporation's gas appliance retailing business to the private sector—the more radical of two options recently recommended by the Monopolies Commission.

This threat, far from prompting rebuke or criticism from the management, seems to be regarded by them as an additional argument to support their own case, which is, of course, to retain control over gas appliance retailing.

There are respectable arguments, fully rehearsed by the Monopolies Commission, against a total hiving-off of retailing activities by British Gas. Less drastic alternatives are available for injecting greater competition into gas appliance retailing. But this is a matter which the Government must decide on the basis of the public interest, not in response to bullying from entrenched forces within the industry.

Whatever the future of the British Gas showrooms, the tactics used in this case must reinforce the Government's determination to curb the baronial power which some of the monopoly State-owned industries enjoy—and are not afraid to use. Their power needs to be reduced, either by introducing competition or through more effective regulation so that their objectives are clearly defined and the privileges of statutory monopoly are not abused. The Central Policy Review Staff, *which is examining* relations between the Government and nationalised industries, should put this problem at the top of its agenda.

BRITISH GAS

# Sir Denis keeps the gloves off

By Ray Dafter, Energy Editor

**The Conservative Government has earmarked a number of the plum parts of the British Gas Corporation for turning over to private interests. But Sir Denis Rooke, chairman of Britain's most profitable state enterprise, is fighting any attempt to dismember his empire even if it means another clash with the Government.**

"I KNOW a lot of people think I am an awkward sod but I must represent the organisation in the best way that I can." The comment, delivered proudly and with characteristic forthrightness, was made by Sir Denis Rooke, chairman of British Gas, who now finds himself ever more deeply embroiled with the Government over plans to restrict the Corporation's gas appliances business.

Sir Denis, 57, a former major in the Royal Electrical and Mechanical Engineers, has adopted the Herculean role of protector of the state-owned gas industry. He has fought with successive governments over pricing policies, cash limits, financial targets and moves to cut the Corporation's oil interests. And he is still fighting.

The belligerent stance he is now adopting shows that he has neither been humbled nor mellowed by his recent reappointment as chairman for a further five years. For Sir Denis has moved the battle front into the High Street where he has proclaimed himself willing to defend the 900 gas showrooms in the face of the possibility that the Government may sell them to private enterprise.

The issue is to be debated in the Commons today and there are clear signs that the tactics used by Sir Denis and the Corporation's Board have whipped up feelings on both sides of the House.

But the battle over the showrooms raises deeper, much more fundamental questions about the relationship between the chairmen of state corporations and governments.

Sir Denis personifies the mood of defiance that pervades much of the nationalised sector now that it is being forced to review its monopoly roles. The Government is finding it tougher than it thought to whittle away the powers of state-owned monopolies which *have long been criticised by* private industrialists and consumers alike.

Significantly, the Prime Minister has just asked the Central Policy Review Staff—the "Think-Tank"—to review the deteriorating relationship between the Government and the state industries and to recommend by July 31 changes that could put their dealings on a new footing.

Given that Sir Denis has caused the Government so many headaches, why was he reappointed for a second five-year term anyway? The answer is not clear. Surprising as it may seem, there is grudging respect within the Cabinet for his toughness and his dedication to the gas industry.

As a post-war gas technocrat Sir Denis has done as much as anyone to put the industry back on its feet after the dismal days of coal-fed town gas and to turn the Corporation into Britain's most profitable State enterprise.

Not to have renewed Sir Denis's contract might have appeared vindictive, an admission that the Government is not strong enough to impose its will on the chairman and the Corporation.

So the scene is set for further confrontation. The Government can expect Sir Denis to continue to defend the status quo, the ideal of an integrated corporation as enshrined in the Gas Act.

"I do not argue for the sake of arguing, but I am not afraid of an argument. I do not try to hide my views under honeyed words," he says.

The arguments are heard most in Thames House South, headquarters of the Energy Department where, it is said, Sir Denis—a big, burly man—makes his point as much by "intimidation as through persuasion." "He can be pretty frightening," said one official.

This may help to explain why energy ministers have tended to take a softer line with British Gas denationalisation proposals than some of their colleagues in other departments. Sir Denis, who has never thought much of politicians (or journalists, for that matter), is polite but resolute in discussions with ministers. Civil servants, with whom Sir Denis tends to have closer relations, *have become more accustomed* to his blustering and table-banging.

On the showrooms issue, the Corporation's arguments have been backed up by an expensive press and television advertising campaign extolling their virtues. Mr Norman Lamont, Under-Secretary of State for Energy with special responsi*bilities for gas, says he is* concerned about the campaign; he has now asked British Gas to provide details of the costs involved. "We were planning the corporate campaign long ago. Nobody told us what the Government was thinking about, did they?" replied Sir Denis.

In a similar vein, a campaigning newspaper has been distributed to over 100,000 British Gas staff. Under the defiant headline "Ready for D-Day," Sir Denis delivers a "We will fight them on the beaches . . ." type message. He spells out what he sees as the possible consequences of the Government hiving off showrooms to private enterprise: thousands of lost jobs, reduced service to the public, and less Corporation influence over the safety of appliances.

Sir Denis Rooke: "Let us get on and build it"

The reaction to all this has been predictable. The National and Local Government Officers' Association and the General and Municipal Workers' Union have threatened industrial action if the showrooms are sold off. In the Commons, political views have become polarised. The Labour Opposition has tabled a censure motion deploring needless denationalisation while more than 100 Conservative backbenchers have called on the Government to press ahead with the abolition of the monopoly powers of British Gas and other state industries.

In consequence the Government will now find it more difficult to decide the future of the showrooms in a considered, rational manner. For the issue is still far from clear cut. The Monopolies and Mergers Commission, which reported on domestic gas appliances in July last year, set out two main options. One was that British Gas should be forced to stop selling appliances to customers. The other option — "a less radical proposal"—called for new accounting arrangements designed to secure the financial independence of retailing from the corporation's other activities.

"I still find it difficult to understand the commission's findings," says Sir Denis. "On the one hand it was perceived that we had provided the public with a nationwide retail and advice service which the public had found of high value and yet it was discerned there were two overriding defects."

The first of these, the commission said, was that the public was losing the benefits of competition. "We cannot know whether or not the corporation's retailing system is indeed cost-effective or whether it provides a range of appliances meeting consumer demand at the cheapest price," the commission reported.

The second, the report said, is that the present retailing system threatened the longer-term efficiency and viability of the appliance industry.

Both assumptions are challenged by Sir Denis. There is no impediment to private retailers entering the market, he says. Indeed, the Corporation knows of several hundred independent dealers as well as several electrical appliance chains which sell gas appliances.

Even so it is a fact that British Gas sells between 85 and 90 per cent of the country's gas cookers and some 80 per cent of gas fires. During the 1980-81 financial year its 6,000 domestic sales staff sold 1.3m appliances worth £170m as well as £30m worth of central heating equipment.

Sir Denis maintains that private retailers could not offer the range of appliances or the depth of service now provided by British Gas and prices might well rise in a more fragmented retail sector.

In the same vein, Sir Denis and his fellow directors are fighting vigorously to prevent the Government selling off the Corporation's 50 per cent stake in the attractive Wytch Farm oil field in Dorset. "This is a unique discovery which would never have been made without British Gas. The disposal of our share would not be much reward for the imagination and hard work, and the very clever and patient detective work of our staff. You must expect that the rewards will be commensurate with the risks."

The Government's determination to sell Wytch Farm assets—and a queue of potential oil company buyers is already forming—has apparently increased as a result of the Corporation's refusal to divest *itself of its offshore oil* interests.

British Gas holds varying shares in a number of North Sea fields, among them Beryl, Fulmar, Hutton, North West Hutton, and Montrose. The Energy Department suggested that these interests should be hived off into a private company in which British Gas could still have had a significant minority stake.

But Sir Denis and his colleagues stood firm. As the Government has found with British National Oil Corporation it is difficult to untangle complicated consortium agreements without the active support of the state-owned participant. Like BNOC, British Gas has thus resisted the disposal of offshore assets.

Sir Denis argues that the discovery of oil arises inevitably from the Corporation's quest for gas reserves. "If you start limiting yourself to only those areas where there is gas you wouldn't get anywhere. You cannot tell whether you will find gas or oil."

British Gas has a reputation for being a well qualified explorer and producer. The methods to be employed in the exploitation of the Morecambe Field off the Lancashire coast will be monitored by the oil industry the world over. Similarly the transformation of the partly depleted Rough gas field in the North Sea into a seasonal storage cavern is recognised as a unique and imaginative venture.

On the other hand the industry has long complained that the prices paid for supplies by British Gas have been too low and have stifled the incentive for further gas exploration and development work.

One senior oilman, long versed in negotiations with British Gas, commented: "There is no equality and no basis for bargaining. Anyone with a gas discovery is almost forced to take what they offer."

Sir Denis refuses to be deflected from his gas pricing tactics, even with the £2.7bn gas gathering network at stake. Oil companies have claimed that it is difficult to work out the economics of the proposed pipeline network without first having some idea of the price at which British Gas will pay for supplies.

"There is no way in which I am going to set an area (general) price," says Sir Denis. "Every field is different with regards to the quality and quantity of gas. There are enormous differences in the price that could and have been offered for gas."

As a prominent member of the North Sea gas gathering organising group, the Corporation now finds itself in the thick of the doubts and uncertainties surrounding the financing of the ambitious project.

Sir Denis points to the similar Norwegian scheme where the state-owned Statoil corporation had just been allocated a 60 per cent partner in the venture. "The Norwegians are taking a Japanese view. If it is in the national interest let us get on and build it. We should be doing the same."

Behind his comment lies the *desire of the Corporation to* have a majority stake in the British system, rather than the 30 per cent interest as proposed by the Government.

The chairman has argued in Whitehall that the £1.3bn levy on the Corporation's profits over the next three years should have gone towards the gas gathering system rather than to the Exchequer. The levy, announced in February, will take £130m from profits in the 1980-81 year; £420m in 1981-82; and £750m in 1982-83.

This was yet another Government proposal that Sir Denis had opposed, arguing that the measure would distort the Corporation's economic performance and damage morale. The Corporation's success, he said at last year's annual Press conference, had been based on the loyalty and creative drive of its staff and the wholly integrated structure of the business. "Taking away either is a recipe for making another helping of lame duck," he says.

# MEN AND MATTERS

## Goodbye to Mr Chips

Edward Brodie, Glasgow City Council's "business ambassador" in San Francisco, has decided to turn in his letters patent after little more than a year of trying to lure business from Silicon Valley to Scotland. Brodie's appointment by the Labour-controlled City Council is estimated to have cost the city £100,000, without yet yielding more new investment or jobs.

Brodie leaves the £20,000-a-year job at his own request in October. "We are not dissatisfied with what he has done or anything of that kind," says Council chief executive, Steven Hamilton.

"He suggested to us that because of the establishment by the Government of the Locate in Scotland bureau in March to attract inward investment, it would not be necessary for him to continue his work in the present form after October."

It was added yesterday that no-one really expected tangible results at this stage, and that Brodie's appointment was intended to strengthen contacts and to build on existing American electronic investment.

Brodie's rent-free accommodation in the San Francisco offices of Union Bank was *arranged by Norman Eckersley*, the bank's deputy chairman, who retires at the end of this month. Eckersley will now be heading a volunteer four-man team of top Californian businessmen who hope to persuade U.S. companies to channel investment into Scotland. Other members of the team are Stanford University chancellor, J. Wallace Stirling, who played a major part in developing Silicon Valley; William Blackie, recently retired chairman of Caterpillar Tractors, and Peter Gardiner, chief executive of Dalgety Inc., U.S. arm of the British agricultural group.



"It's the Civil Servants' union, they want to know how to get blood out of a stone"

## Going for gold

Though the genial lady at Gallagher and the creative brains of Collett Dickenson Pearce tried hard to extinguish my fears, anti-smoking campaigner David Simpson insists that there is no smoke without fire.

The burning issue is Benson and Hedges' minimalist poster and magazine advertising campaign, which has now succeeded in dispensing with their controversial product altogether. The pure gold cigarettes, having passed through mouse holes, bird cages and even the pyramids, are now safely shrouded from public eye in a gold-padlocked safe, sunk deep beneath the waves. Only the tell-tale public health warning gives the game away.

If the logic behind this metamorphosis escapes you, it has certainly justified itself in the sales figures. B and H Special Filter now claims to be Britain's top-selling cigarette, without the help of seductive words or special offers. Dissenters have a more sinster explanation, however.

With a new code on tobacco and advertising and even possible prohibitive legislation soon to be discussed, some have wondered whether the latest advertisement could be a means of slipping through regulations on the grounds that it neither depicts nor promotes cigarettes.

Both Gallagher and the agency vigorously deny any such intention, assuring me that the spirit of any legislation or code would always be vigorously respected.

But while Simpson, of pressure group Action on Smoking and Health, yesterday insisted that he was levelling no such accusations against Benson and Hedges, he claimed that campaigns of symbolic advertising had been practised in Finland and Norway where all promotion is outlawed.

"If there are loopholes in legislation you can be sure that the tobacco industry will turn them into gaping tunnels," he said.

## Poles apart

The lure of earning hard Western currency is tempting Poles to the West in record numbers this year, to work long hours at backbreaking labour which would probably bring their brothers back home in *Solidarity rapidly out on strike.*

Last year, 708,000 Poles went West. Since April 1 this year, Poles have been granted passports valid for three years allowing an unlimited number of Polish border crossings, and over 1m are expected to head off in search of "waluta."

Their main destinations are West Germany and Sweden. Over the past winter, some have shovelled snow in German city streets while other compatriots entertained in night-clubs. Working Polish tourists have become a mainstay of some farms in Schleswig-Holstein.

After a few weeks' work in the West, Poles can change their money on the black market and get four times the official Zloty rate, to make life back home that little bit easier. Or a used car can be bought, driven into Poland, and sold at a handsome profit.

But one of the major difficulties facing the emigré workers is that of border formalities in fellow Warsaw-pact countries. Border officials in East Germany *and Czechoslovakia have* been instructed to give thorough searches to passing Poles.

## Grievance aired

The plans of a group of British Aerospace shareholding employees to kick up a fuss about the re-elections of industrial relations director *Leslie Buck* foundered at yesterday's annual meeting on a technicality. When representatives of the group stood up to speak, they were advised by chairman Sir Austin Pearce and his legal advisers that they were not entitled to ask questions. For, although employees receive special opportunities to subscribe for equity, *the shares are held in* trust.

Pearce was magnanimous enough to allow one of the group to voice his objections—not, apparently, to the approval of the rest of the meeting, which re-elected Buck by a large majority.

## Relief at hand?

Civil Service union o fficials finally thought an end to their 15-week-old strike action might be at hand when a phong rang in the Council of Civil Service Unions' headquarters in London's Rochester Row and a voice asked wearily: "OK, what are your terms?"

Lord Soames? Mrs Thatcher? Unfortunately, no. Just one of the many honest citizens mistakenly following the advice scrawled in an unknown London telephone box, to ring a given phone number — now a line used by the Council's press office — if they should find themselves suddenly overwhelmed by an urgent desire for a visiting massage.

**Observer**

# FINANCIAL TIMES SURVEY



Wednesday June 17 1981

# Sweden

**The collapse of the country's second non-socialist coalition will influence the way Sweden is governed in the next decade. Future economic policies will be largely shaped by the fortunes of industry but in turn their implementation may depend on the formation of a strong government which has the unions' confidence.**

*Central Stockholm: more punch is needed to adjust the economic system*

## Pitfalls in the political system

**By William Dullforce**
*Nordic Correspondent*

THE BREAK-UP last month of Mr Thorbjörn Fälldin's second coalition government must have important implications for the way in which Sweden is to be governed in the 1980s and for the methods which will be used to deal with the country's present economic predicament.

It probably means the end—at least for some time—of any concerted attempt by the non-socialist parties to put together a credible alternative to socialism. It almost certainly means the return to power next year of Mr Olof Palme and his Social Democrat Party.

This scenario in turn poses the question of what kind of relationship, or even understanding, Swedish industry may be able to reach with a new Social Democrat administration. Both the trade union federation and the Social Democrat Party are holding congresses later this year, which should demarcate the ground for compromise or confrontation.

In the meantime, Sweden is being run by the tenacious Mr Fälldin and a minority Centre Party/Liberal Cabinet, whose 18 members include six farmers and four teachers. It is an odd team to be organising the industrial revival which all the political parties agree is the answer to Sweden's economic troubles.

Yet it may well survive another 15 months simply because nobody wants an earlier election offering a brief mandate up to the general election which electoral law stipulates must be held in September 1982.

It might be noted in parenthesis that more and more politicians recognise the inadequacy of a system which allows Swedish parliaments and governments a maximum three-year mandate.

Mr. Gösta Bohman led his Moderate (conservatives) out of the three-party coalition in anger last month. He felt betrayed by his Centre and Liberal partners who had made a deal with the opposition Social Democrats over tax reform.

This agreement will postpone from 1982 until 1983 cuts in the top (marginal) income tax rates which had been a major plank in the Moderate Party's platform and on which Mr Bohman believed he had secured the accord of his political partners. It could also be unfavourable to homeowners.

Mr Fälldin and Mr Ola Ullsten, the Liberal leader, argued that with a majority of only one for the coalition in the Riksdag (parliament), it was a success to win opposition backing for tax changes, even at the cost of some delay and compromise, thereby ensuring their continuation after the next election.

Various tactical motivations among the three parties can be read into the events that led up to the split. The Centre Party, whose voters stood to gain least from the tax changes, was lukewarm about them and its parliamentarians were restless at the apparently growing influence of the Moderates on government policy.

Some liberal leaders have long been toying with the idea of a coalition with the Social Democrats. Both the Centre and Liberal parties have been losing public backing while the Moderates, who became the biggest of the three at the 1979 election, have continued to grow.

### Commitment

However, miscalculation seems to have played an important part in the debacle. Mr Bohman underestimated the strength of Mr Fälldin's desire for an understanding with the opposition and reacted too late. Mr Fälldin and Mr Ullsten failed to measure the commitment of the Moderates to pushing through tax cuts before the 1982 election.

The Social Democrats, on their side, had entered the talks on the tax changes without conviction. They were astounded when they had most of their proposals accepted by the Centre and Liberal parties and found they had broken the coalition.

The outcome was the collapse of the second experiment at putting together a coalition of all the non-socialist parties. The first failed in October 1978 when Mr Fälldin quit after failing to get his partners to put a stop to the nuclear power programme.

The Moderates, the warmest advocates of an anti-socialist coalition, are now in opposition and with reduced influence on the formation of government policy. Their stand on principle may promote their cause with some anti-socialist voters but they may also have embarked on another long march through the political wilderness.

**BASIC STATISTICS**

| | |
|---|---|
| **Area:** | 449,964 sq km (173,731 sq m) |
| **Population:** | 8.3m |
| **GNP (1980):** | SKr 519bn |
| **Per capita** | SKr 62,476 |
| **Trade (1980):** | |
| Imports | SKr 141.1bn |
| Exports | SKr 130.7bn |
| **Trade with UK:** | |
| Imports | SKr 16.5bn |
| Exports | SKr 15bn |
| £ = SKr 10.18 (2/6/81) | |

The Centre and Liberal parties must stake their all on putting together a convincing act as a government over the next few months but with only 102 of the 349 parliamentarians their chances are not high.

Mr Fälldin is already committed to legislating the tax changes agreed with the social democrats against Moderate opposition. At the same time to secure Moderate acquiescence to the formation of his new Cabinet, he gave Mr Bohman written assurances which Mr Palme claimed would ensure Moderate control over the government.

Before dismissing the non-socialists' record in governing Sweden over the past five years, it should be recalled that when they took over after 44 years of Social Democrat rule in 1976, the country was plunging into the worst economic setback for 30 years.

They had to nationalise the shipyards, which had been one of Sweden's most prestigious industries, and take charge of the bulk of the commercial steel operations. It was an inauspicious time to try to change the direction of economic policy.

After stumbling through the referendum on nuclear power in March, 1980, the three parties did map out a programme for economic change. It included tax reform, tax relief for investment in company shares, a reduction in bureaucracy, incentives for small businesses and a blueprint for a re-allocation of resources from state and local authority services to industrial production and exports.

Too little was actually put into practice. Above all, the non-socialists failed to cope with the runaway growth in public expenditure. This weakness in fiscal policy prevented any real liberalisation of the capital markets.

Nevertheless, it can be argued that the main lesson to emerge is that any attempt to alter the system built up under social democrat rule or to change the thrust of economic policy is contingent on the reaction from the trade unions.

Perhaps that is too sharply phrased. The key to change lies in the relationship between the labour market protagonists and the reforming government.

Under the Swedish model of free collective wage bargaining the unions and employers establish the wage level. The government has to ensure full employment at the wage level set by the unions and employers. The non-socialist coalition took over the commitment to full employment.

### Expansion

The government can try to influence the wage settlements through tax changes but in general economic policy has to be formulated after the wage level has been determined. The system tends to push up wages and to accelerate expansion of the public sector to meet the full employment target, at the same time as industrial production is constrained.

A strong contributing factor to these pressures is the so-called solidarity wage policy of equal pay for equal work and the competition among the unions to maintain their differentials.

A principal cause of the big strike and lock-out in May last year was the success of the public sector unions in getting their pay increases settled first, after which the blue-collar industrial workers could not settle for less. This year another strike was barely averted, when the white-collar unions insisted that their settlement should provide full compensation for any wage drift achieved by the blue-collar workers.

"Good sense" and "the national interest" have been the traditional restraints on the pressures inherent in the system. In recent years the employers' association and the federation of industries have been more active in publicising industry's problems and needs.

The suspicion remains, however, that the system can be adjusted to Sweden's current economic realities only by a strong government which has the confidence of the unions. A non-socialist coalition struggling to put together a consistent policy has too little punch.

Recently, both the Social Democrat Party and the Landsorganisationen (LO), the blue-collar workers federation, have acknowledged that industry needs to generate bigger profits. However, the LO has stated that its acquiescent to higher company earnings depends on industry accepting the introduction of employee investment funds.

These funds, financed from company profits, would acquire company shares. The LO's original proposal provided for straight union ownership of the funds. The latest modified version spreads ownership among regional funds but would still be likely to secure for the funds control over the capital of most industrial concerns in the course of a couple of decades.

Industry's reaction has been to welcome the LO's offer of closer co-operation and to accept the idea that shareholding must be more widely spread. But any fund system must allow for individual ownership of shares, industrialists insist.

Much will depend on the final formulation of the proposed employee investment funds at the coming LO and social democrat party congresses. When the first proposal was made in 1975 it was seen as the Swedish labour movement's next step towards socialism.

With the collapse of the non-socialist coalition the political initiative has returned to the social democrats. Traditionally, Swedish socialism has been pragmatic and until the late 1960s at least very much aware of the importance of maintaining Sweden's industrial health.

The "fund" issue will decide whether the Social Democrats can renew a pragmatic relationship with the industrialists which could provide the foundation for industrial renewal and an answer to Sweden's economic problems.

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# Getting to the heart of the malaise

## THE ECONOMY

WILLIAM DULLFORCE

AN AMERICAN banker, who travels widely in Europe, says that when visiting Stockholm these days he finds himself slipping into the role of the exasperated doctor who chides his patient: "What are you complaining about? You have broken only one leg!"

To keep matters in perspective, it is a remark worth remembering when reading on. "Economic crisis" is a well-worn phrase among Swedish politicians and economists at present and it is true that the economy needs treatment for some very nasty symptoms.

To an outsider the symptoms may seem to be common to several industrialised countries which, when exposed in the 1970s to large increases in oil and raw material prices and to sharpened competition from newly-industrialised nations, found that middle-aged spread had slowed their reactions.

Many Swedes, including Mr Gösta Bohman, leader of the Moderate (conservative) party and until last month Minister of the Economy, argue that their economic problems are more deeply rooted and call for drastic correction. They fear they may succumb to the "British disease" or even the "Danish disease."

Mr Bohman gave his reasons for believing there is something fundamentally wrong with the economy when he presented the 1981 Finance Plan. Briefly, they are:

- The expansive "bridging" policy adopted after the first oil price shock in 1973 has had devastating consequences for industry's relative costs and for the foreign payments balance.
- Sweden depends more on imported oil than most other countries and has an industrial production which is highly energy-intensive.
- Heavy reliance on foreign trade exposes Sweden more strongly to international economic fluctuations.
- Sweden has gone further than other countries in de-industrialisation; public and private consumption together consume a larger share of total resources.

These factors combined had produced the structural problems which currently characterise the economy and which are displayed among other symptoms in a budget deficit now expected to reach SKr 70bn (£6.8bn, $14.4bn) or close to 13 per cent of the gross national product in 1981, Mr Bohman reasoned.

### Growth

To prove his point, he pointed out that in the 1970s Sweden had experienced a growth in GNP of 2 per cent a year compared with an average of 3.5 per cent for the OECD countries. Industrial output had increased by 1.1 per cent against 3.4 per cent for the OECD average and exports by 4.4 per cent against 6.5 per cent.

The development of the current account balance rounds off the picture. After the krona's devaluation in 1977 it almost returned to balance, only to slide through 1979 to a level of more than 4 per cent of GNP in 1980.

This year it appears to be confounding the pessimistic prediction in the Finance Plan by shrinking to about 3 per cent of GNP but this is due to a sharp fall in imports, not to any success on the export side.

The fruits of economic growth have been spent far too abundantly on consumption and far too thinly on building up an effective and competitive production apparatus, Mr Bohman summed up in a more moralistic tone.

The diagnosis is illustrated in the accompanying diagrams which are taken from the Economy Ministry's Medium-Term Programme published at the end of last year. That report set targets for bringing the economy back on to the right course by 1985. Few have been realised in the first two years of the decade.

The Programme singled out the "cost crisis" in industry as needing most urgent treatment. The weak growth in industrial output and the reluctance of companies to invest were attributed to the failure of the national wage bargaining system in keeping pay settlements within the economic limits, to labour market restrictions and to the sapping of company finances.

The coalition government has worked out a strategy for restraining cost rises within industry and for improving its competitiveness. It planned to reduce income tax, partly in the hope of stimulating work, partly as a trade-off for restraint in demands for wage increases from the trade unions.

It acknowledged that industry needed to generate higher earnings if companies were to invest in expansion as well as in rationalisation, and it introduced tax incentives for people who invested savings in company shares.

### Inflation

Finally, it undertook to reduce the budget deficit as a source of both inflation and high interest rates. The high cost of borrowed capital has both deterred company boards from investing and inclined finance directors with cash to look for profitable lending opportunities.

The first Finance Plan for 1981 published at the end of last year accentuated the state of crisis and the need for tougher action than the Government had demonstrated up to then. Doubting the coalition's capacity to act decisively enough in any other way, many businessmen read it as heralding a devaluation.

An outflow of currency in January motivated the Riksbank (central bank) into raising its discount rate by 2 per cent to an unprecedented 12 per cent, thereby pushing up interest rates and elevating a further barrier to industrial investment.

The currency situation was restored, the krona subsequently firmed up alongside the dollar on the currency markets and the reserves rose. But leading industrialists still call publicly for reductions of 15 to 20 per cent in industry's cost levels to enable it to regain market shares abroad.

This could be realised, it is suggested, by reductions in corporate tax and companies' payroll charges, agreement to hold down wage growth and a compensatory increase in Value Added Tax. The suggestion is advanced with considerable scepticism about the Government's ability to implement it.

Moreover, the Government—or parts of it—has shown little enthusiasm for any dramatic move to adjust industry's relative cost position. It fears that bottlenecks on the supply side would soon halt expansion even if the demand existed on the export markets.

Industry would find it difficult to recruit sufficient labour, wage drift would accelerate and production costs would climb again, the argument goes. The Finance Plan gave priority to achieving greater labour mobility without indicating how this could be done.

Last year the competitive position of Swedish industry was enhanced without any significant improvement in its export performance. Instead, it has been proposed, efforts might be concentrated on reducing imports and replacing them with domestically produced goods.

Opinions vary about the effect of this year's pay settlements, which were regarded as crucial for both industry's prospects and government economic policy. Agreements were reached covering two years and at levels which may not help industry's competitiveness this year but could do so in 1982.

However, the agreements contain inflation clauses, allowing for compensation to employees if prices (excluding oil prices) rise by more than 9.8 per cent this year. It is a moot point whether this threshold will be exceeded.

The strongest criticism of the government focuses on its failure to check the swelling budget deficit. In spite of two packages of "cuts" in spending designed to dampen the growth in public spending, the Government has had to upgrade its estimate for the deficit.

The Medium Term Programme postulated a reduction to 1-2 per cent in the annual rate of growth of public sector spending. In the revised Finance Plan issued in April the Economy Ministry raised its estimate of the increase for 1981 from 3.9 to 5 per cent. The Government has promised to implement more spending "cuts" amounting to SKr 12bn, but they will not take affect until the 1982-83 fiscal year.

Of the total state debt of around SKr 250bn by the end of March this year roughly a fifth had been covered abroad. The current account deficit and the sharp advance in the state's foreign borrowing over recent years are seen, within Sweden at least, as further evidence of the undermining of the economy.

During 1980 the Kingdom of Sweden borrowed more than SKr 22bn abroad, leaving it with a net foreign debt at the end of the year of about SKr 42bn. It is not the size of the debt in itself but the pace of the increase that has been causing concern.

In the first months of this year the state debt office has even stepped up its borrowing and displayed considerable skill in exploiting the markets but with the improvement in the trade balance its foreign borrowing for 1981 as a whole is expected to be less than SKr 20bn.

The switch into surplus on the trade balance during the first four months, due primarily to lower oil imports, and the anticipation of a reduction in the inflation rate, which came close to 14 per cent in 1980, are the bright spots in the current picture.

### Estimate

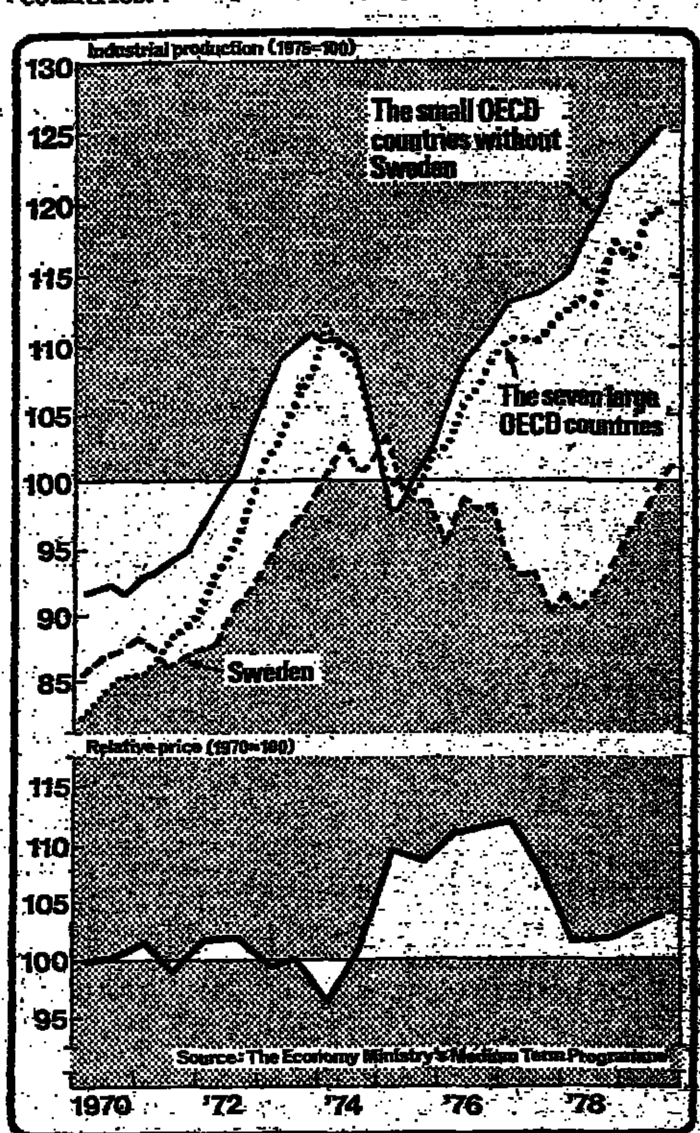
The rest of the indicators suggest that the economy has yet to hit bottom. Private consumption will decline, the rate of growth in public consumption will be lower and few other forecasters agree with the estimate of a 1.5 per cent increase in exports this year. The pull from the export markets is expected to come later.

On the industrial side the question is just how much output will fall while investment is set for a decline. The revised Finance Plan predicts a drop of 1.7 per cent in gross national investment. GNP growth is put at 0.2 per cent.

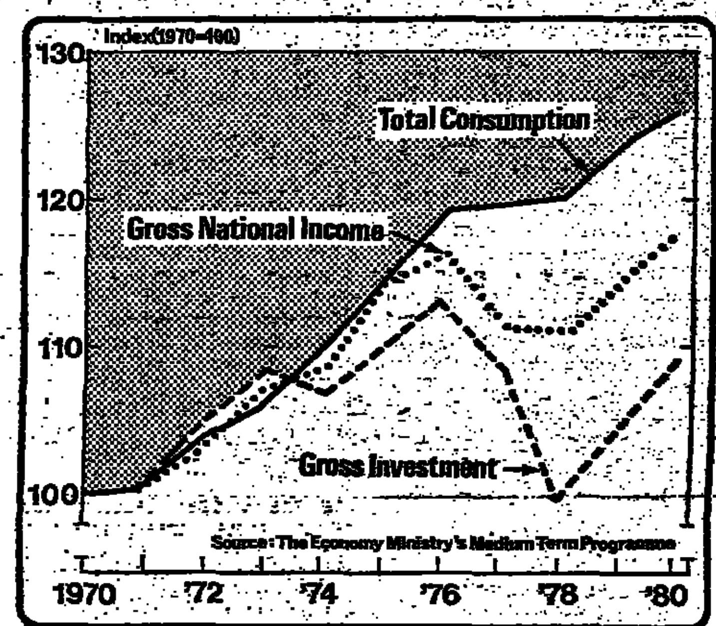
The current slump in the Swedish economy reflects the general recession in Europe and Sweden's dependence on outside factors. The more pertinent issue is whether the re-allocation of resources needed to ensure future stability and growth is being realised.

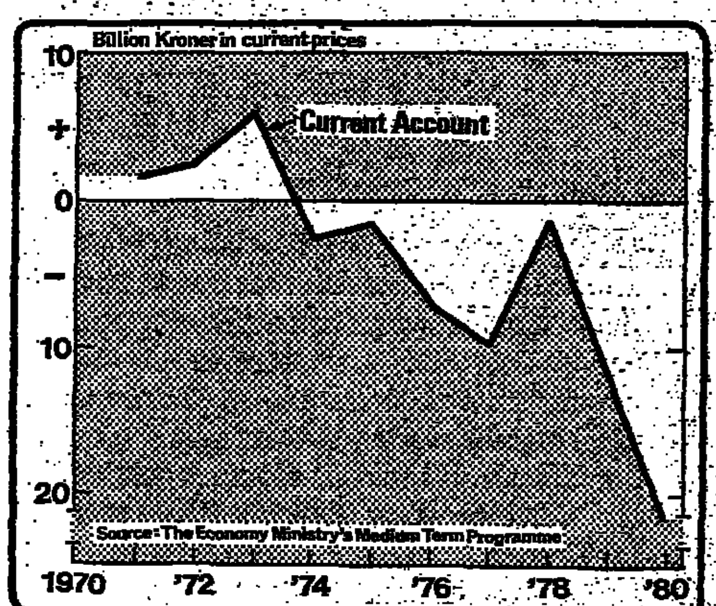
The verdict on Mr Fälldin's three-party coalition is that it showed willing but did not do enough. It is difficult to see how his present two-party minority government can do better.

**THE PROBLEM: the decline in Swedish industrial production compared with that in other OECD countries and the development of the relative price for Swedish exports to the OECD countries.**

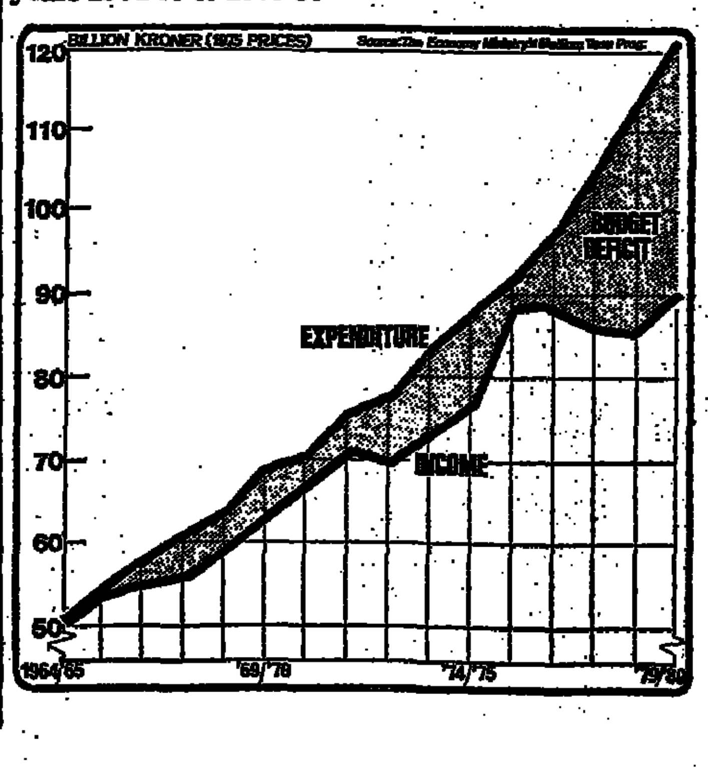



**ANALYSING THE PROBLEM: gross national income, total consumption and gross investment (1975 prices) and the current account balance 1970-1980**




**A CONTRIBUTING FACTOR: developments of state expenditure and income for the budget years 1964-65 to 1979-80**



# After the debate: long-term problems stay unresolved

## ENERGY

WESTERLY CHRISTNER

SOME TENSION has fizzled out of the nuclear power issue in Sweden since the national referendum was held last year. Previously, the issue was so hotly debated that it caused the collapse of the first Centre-Right coalition Government in 1979.

The outcome of the referendum was to complete the planned 12-reactor programme in five years but to shut down the power plants by 2010, a decision that has been deplored consistently by the business community.

Despite industry's protests, the Government drew up a Bill on the basis of the referendum, covering energy policy for this decade. The Bill, approved last month by the Riksdag (Parliament), leaves the long-term question of what to do when nuclear power is phased out unresolved.

"We simply cannot afford to put off dealing with the energy problems for that long," says Mr. Hans Werthén, chairman of the Federation of Swedish Industries. He recommends, for instance, that an extended district heating system be fuelled by small nuclear plants. But, in the current political climate, this advice is unlikely to muster much support.

The opposition Social Democrats, who are predicted to return to power after the next election in September 1982, have already gained mileage by calling for a Riksdag commission to oversee the dismantling of the 12-reactor programme.

With the formation of a minority government this spring, the means for effectively administering the new energy policy have been weakened. Until May there at least had been an Energy Minister, although he was working without portfolio under the wing of the Ministry of Industry. Now there is no such post. Energy questions are being dealt with by the Labour Minister, Mr Ingemar Eliasson.

The policy's aim is to keep energy consumption by 1990 basically unchanged, or just slightly increased from today's level, but to achieve a 40 per cent reduction in oil imports. Sweden still relies on imported oil for about 70 per cent of its energy needs. Part of the reduction is to be made up for by greatly boosting coal imports.

With a weak Government, however, the opposition to coal from environmentalists may well undermine the chances of cutting oil imports by 40 per cent. This prospect is also causing concern to industry.

### Gas imports

Yet another controversy is expected to crop up regarding natural gas imports. According to the policy, small-scale imports will be introduced. Minor increments only will come from domestic peat, methanol and solar power. A marginal expansion of hydro-electricity and burning of pulp industry waste is being undertaken.

Sweden achieved a 9 per cent reduction in energy use during 1980, provisional estimates show, because of vigorous conservation and lower economic growth. Net domestic oil use (excluding non-energy consumption and stocks) fell last year by 12 per cent to 22.6m tonnes, according to the Central Bureau of Statistics (SCB).

If the 40 per cent reduction in oil consumption is to be achieved by 1990 a 1m tonne decrease each year must be reached during this decade. Raising taxes and levies on crude oil and products except for gasoline will be a major means of meeting the target.

Crude oil imports rose to 17.9m tonnes last year, up 11 per cent. Oil product imports dropped in volume by 23 per cent to 12.8m tonnes, just below 1978 levels, but fell in value by only 6 per cent. Product exports grew from 3.1m tonnes to 4.6m tonnes.

Sweden has negligible domestic oil reserves. Saudi Arabia continues to be the largest supplier, accounting for 47 per cent of the country's crude imports, a 50 per cent rise from 1979. The new policy aims at obtaining supply security from government-to-government energy contracts made through Svenska Petroleum (SP), Sweden's state-owned energy purchasing company.

A deal with Norway was struck on March 25, when the Prime Ministers of both countries signed an agreement paving the way for increased economic co-operation between the nations based on energy and industry.

By 1990, natural gas will be contributing up to 2 per cent of total energy consumption, according to the policy. Sweden has neither gas reserves nor a distribution infrastructure. The two areas of use for gas envisioned in the policy are industrial and residential heating.

Swedegas, a subsidiary of SP, is investigating the feasibility of Government gas deals, administering contracts, and co-ordinating distribution with regional energy authorities. It is studying a Soviet offer to supply about 3bn $m^3$ a year, which could come via the planned Soviet pipeline to West Europe or via Finland. Under an agreement signed last year with DONG, the Danish oil and natural gas company, the south Swedish utility, Sydgas, will import a total of 3bn $m^3$ of Danish gas between 1985 and 2004.

Imported coal and coke were once Sweden's main energy sources, but their use dropped radically as the country began switching over to imported oil. Last year imports sank to 2.6m tonnes, a 4 per cent reduction from 1979. The lion's share of the imports was consumed by industry.

Steam coal imports will climb to 4m-6m tonnes a year by 1990, according to the policy, most of it for newly-built municipal district heating plants. By then, half of all space heating—which accounts for 40 per cent of Swedish energy use — should come from district heating. Tighter sulphur emission control standards were included in the policy. Swedes will contribute up to SKr 5m-SKr 7m a year ($1.02m-$1.4m) to prospecting for foreign coal supplies that meet the tight environmental rules.

Electricity accounts for about a third of Sweden's energy use. During 1980 consumption remained at 94.1 TWh as in the year before, according to SCB. By contrast, demand rose 5.4 per cent from 1979. Demand is expected to increase by 1 per cent this year. Industry's share last year was 40.4 TWh, 1 per cent below 1979.

By 1990, according to the policy, hydropower will account for 65 TWh, more than half the electrical production which will disappear when nuclear power is phased out.

New electricity taxes will be coming into force to finance creation of a Government fund from which power companies may borrow to build up systems for handling and storing spent nuclear fuel. Sweden's 25.4 TWh nuclear output last year was 26 per cent more than in 1979, according to SCB, corresponding to 27 per cent of total electrical production.

By 1986, when all 12 reactors are in operation, they will account for an estimated 56 TWh a year of electrical output.

Sweden has earmarked Skr 163.6m from 1978 to 1981 for solar energy. Of this Skr 87.5m is being spent on technology and R & D, and the rest is devoted to experimental building projects. By 1990, solar power will be providing 0.2-0.6 per cent of the country's total energy consumption, according to the policy.

Last year, the Government announced plans to spend Skr 9.6m on two full-scale biomass programmes. In January the Riksdag approved setting up a fund to finance non-oil/nuclear energy projects in 1981-83.

Financed by an energy tax, it is providing loans for solar, peat and biomass. Some Skr 500m has been set aside for this year, with a further Skr 600m each, in 1982 and 1983.

**PRIMARY ENERGY CONSUMPTION**

(million tonnes oil equivalent)

| | 1979 | 1980 |
|---|---|---|
| Oil | 25.7 | 22.6 |
| Coal | 1.7 | 1.6 |
| Hydro | 4.8 | 4.6 |
| Nuclear | 1.7 | 2.1 |
| Others | 0.4 | 0.4 |
| TOTAL | 34.3 | 31.3 |

Source: European Energy Report.

**SWEDEN'S NUCLEAR POWER STATIONS**

Sweden has seven nuclear power stations in operation, one completed and ready to be fuelled, two in the final stages of construction and two planned. They are situated at four coastal sites. Those built by ASEA-Atom are of the boiling water type. Westinghouse is supplying pressurised water reactors.

| Station | Planned Mw output | Operating date | Owner | Manufacturer |
|---|---|---|---|---|
| Oskarshamn 1 | 440 | 1972 | OKG | ASEA-Atom |
| Oskarshamn 2 | 580 | 1974 | OKG | ASEA-Atom |
| Oskarshamn 3 | 1,060 | Nov 1985 | OKG | ASEA-Atom |
| Barseback 1 | 580 | 1975 | Sydkraft | ASEA-Atom |
| Barseback 2 | 580 | 1977 | Sydkraft | ASEA-Atom |
| Ringhals 1 | 760 | 1975 | Vattenfall | ASEA-Atom |
| Ringhals 2 | 820 | 1975 | Vattenfall | Westinghouse |
| Ringhals 3 | 900 | Apr 1981 | Vattenfall | Westinghouse |
| Ringhals 4 | 900 | Nov 1982 | Vattenfall | Westinghouse |
| Forsmark 1 | 900 | Dec 1980 | FKA | ASEA-Atom |
| Forsmark 2 | 900 | Aug 1981 | FKA | ASEA-Atom |
| Forsmark 3 | 1,060 | Aug 1985 | FKA | ASEA-Atom |

Source: Swedish State Power Board.

*Assembly of NAF stainless-steel wedge gate valves for installation in a Swedish nuclear power station*

# Pressure for change despite the restraints

## BANKING

WILLIAM DULLFORCE

SWEDISH BANKING experienced a lively decade in the 1970s, particularly through the expansion of its foreign operations, and this year the pressure for change and new thinking is mounting again. The banks are campaigning for the lifting of controls over interest rates, while the Riksbank (central bank) has promised to overhaul its monetary instruments.

Competition remains a strong element and, in spite of the constraint imposed by the country's harsh economic situation, the banks have demonstrated considerable ingenuity in developing new ways of attracting savings and capital.

The rivalry between the two big private commercial banks, Skaninaviska Enskilda Banken and Svenska Handelsbanken, injects vitality. For some years Handelsbanken, the smaller in assets, has led the earnings race but Skaninaviska Enskilda edged ahead in the first four months of this year.

Nevertheless, the major influence — and it is a restrictive one — on the Swedish banking system continues to be exercised by a swelling and apparently intractable budget deficit and an enlarged current account deficit. These contributed to an inauspicious beginning for the banks in 1981.

In January after a strong currency outflow had developed, the Riksbank increased its discount rate by two points to 12 per cent, notched up its penalty lending rate by four points to 17 per cent and raised its cash quota requirements from 2 to 4 per cent. A ceiling was placed on bank lending.

### Averted

A currency crisis was effectively averted, thanks at least in part to a swift two-year pay settlement between the employers and the blue-collar unions, and the Riksbank's regulations were subsequently eased. The cash quotas returned to 2 per cent, the penalty rate was lowered to 16 per cent at the end of March and the banks gained some relief by being allowed to reduce deposit rates by 0.5 per cent.

For some years now the primary aim of Riksbank policy has been to counter the effects of the budget and external deficits. It has deployed the full arsenal of liquidity reserve obligations, cash quotas, lending ceilings and interest regulations, although in all fairness it must be said that it has shown considerable flexibility and concern for the banks' interests in applying them.

In theory, credit policy has attempted to finance as much of the State's borrowing as possible outside the banks but in practice the banks have had to contribute increasingly to financing the budget deficit. Currently, some three-quarters of the increase in the banks' resources has to be placed in government paper and housing bonds.

State borrowing abroad, which has reached quite new dimensions over the past three years, has helped to counter the effect of the budget deficit on the money supply, but the Riksbank's controls have not been able to prevent annual increases in bank deposits of between 12 and 17 per cent nor an increase in the interest payable on state bonds from 8 per cent in the mid-1970s to 13.5 per cent today.

### Satisfied

In a short period of time the direction of operations in Swedish banks has been changed, Handelsbanken noted in its last annual report. Traditional lending in kronor to corporations and private borrowers had become less important.

"Corporate loan demand is increasingly being satisfied by foreign financing and the Swedish kronor resources are instead being recycled back to the Government to finance the budget deficit," Handelsbanken stated.

At the end of 1975 Swedish banks had one-third of their kronor resources placed in bonds and the rest in loans to corporations, local authorities and private persons. Over the next five years they were forced to place half the increase in resource in state and other so-called priority bonds with the result that bond holdings now make up 40 per cent of bank placements.

They help to hold down bank earnings because the return does not compensate for the rising cost of deposits. It has been estimated that in 1980 the three major commercial banks made losses of between SKr 100m and SKr 250m on their bond portfolios.

Last year, the banks financed SKr 18bn of the SKr 55bn ($11.4bn) budget deficit. The revised finance plan calculated that the deficit would reach SKr 70m this year. An improvement in the trade balance is expected to reduce the current account deficit, with the result that the state debt office will need to borrow less abroad.

The result is that the Government will need to finance a larger share of the budget deficit within the Swedish banking system. The revised finance plan indicated a range of SKr 28bn to SKr 34bn. That could be an underestimate if the current account continues to shrink and there is an inflow of currency in the private sector, further reducing the foreign borrowing requirement.

It is now generally agreed within Swedish banking that the situation is approaching an intolerable limit. The Riksbank has accepted the need for changes and apparently will go along with the bankers' argument that a greater part of the money supply created by the budget deficit could be drawn in by direct state borrowing from the general public.

The problem here is that the banks and the state would be competing for the same money, with the prospect that short-term interest rates would be pushed up even further. If corporations and the general public are to be induced to place their cash in Government paper, some adjustment has to be made in relative interest rates and a secondary bond market has to be developed.

A secondary market has long been urged by bankers and ways of bringing it about have been suggested by various commissions and committees, so far with little success. Recently, a so-called "bond market group," comprising representatives of the banks, the insurance companies and the major companies under the chairmanship of Mr Lars Kalderen, managing director of the State Debt Office, has been investigating ways of getting a true bond market going.

The banks, in the meantime, have zeroed in on the interest rate controls. They argue that waiving the priority now given to state and housing bonds would benefit industrial investment and get rid of the distortions now created on the credit markets bv interest rate regulations.

From the Riksbank's point of view de-control of interest rates would raise the cost of industrial loans at a time when the aim is to stimulate investment. The banks claim that tax adjustments could counter-balance the higher cost of loan financing. But the three-party coalition government collapsed last month because of differences over taxation policy and tax reforms are likely to be delayed.

### Favourable

The Government's financial problems have also had a more favourable effect on the banks—the Government has eased currency regulations in order to stimulate foreign borrowing, with the result that the banks' foreign operations have grown swiftly over the past few years to become an important source of earnings.

The banks do not normally show their foreign earnings separately but in its 1980 report Skandinaviska Enskilda indicated that about 40 per cent of parent bank profits derived from its foreign operations.

The banking association last month charted the Swedish banks' thrust into foreign markets. Ten years ago there were only 15 representative offices outside Sweden, in April this year 53 Swedish banks had been set up in 21 financial centres around the world, adding up to an investment of SKr 936m.

Of the commercial banks' combined balance sheet totals amounting to SKr 333bn at the end of last year, SKr 52.6bn represented assets or liabilities in foreign currencies.

## SWEDISH PRODUCTION OF PAPER AND BOARD

('000 tonnes)

| | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|
| Paper | 3,504 | 3,502 | 3,940 | 4,368 | 4,285 |
| Newsprint | 1,136 | 1,111 | 1,258 | 1,484 | 1,534 |
| Magazine paper | 352 | 346 | 367 | 375 | 402 |
| Kraft paper | 1,009 | 951 | 1,074 | 1,177 | 1,067 |
| Tissue | 190 | 198 | 207 | 223 | 224 |
| Sulphite paper | 37 | 33 | 23 | 16 | 9 |
| Greaseproof and glassine | 22 | 17 | 20 | 24 | 25 |
| Fine paper | 405 | 443 | 557 | 624 | 596 |
| Other paper | 353 | 403 | 434 | 445 | 428 |
| Board | 1,442 | 1,558 | 1,762 | 1,912 | 1,897 |
| Kraft liner | 775 | 828 | 921 | 1,005 | 969 |
| Other board | 667 | 730 | 841 | 907 | 928 |
| Total paper and board | 4,946 | 5,060 | 5,702 | 6,280 | 6,182 |
| Total capacity | 6,342 | 6,903 | 7,025 | 7,300 | 7,210 |
| Paper | 4,479 | 4,805 | 4,855 | 5,095 | 5,040 |
| Board | 1,863 | 2,098 | 2,170 | 2,205 | 2,170 |

## EXPORTS OF PAPER AND BOARD

| | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|
| Paper | 2,335 | 2,478 | 2,852 | 3,224 | 3,061 |
| Newsprint | 834 | 838 | 989 | 1,200 | 1.230 |
| Magazine paper | 193 | 208 | 213 | 213 | 235 |
| Kraft paper | 817 | 789 | 904 | 983 | 846 |
| Tissue | 58 | 67 | 76 | 86 | 79 |
| Sulphite paper | 30 | 29 | 20 | 16 | 7 |
| Greaseproof and glassine | 16 | 12 | 16 | 20 | 20 |
| Fine paper | 191 | 264 | 346 | 412 | 374 |
| Other paper | 196 | 271 | 288 | 294 | 270 |
| Board | 920 | 1,228 | 1.470 | 1,502 | 1,434 |
| Kraft liner | 499 | 761 | 896 | 881 | 814 |
| Other board | 421 | 467 | 572 | 621 | 620 |
| Total paper and board | 3,255 | 3,706 | 4,322 | 4,726 | 4,495 |

Source: Swedish Pulp and Paper Association.

# Delicate relationship with EEC papermakers

**FOREST INDUSTRY**

WILLIAM DULLFORCE

SWEDEN'S PULP and paper industry has been getting back into fighting trim over the past two years after the wasting of profits it experienced from 1976 onwards, when it tried to maintain output in the face of slackening demand and falling prices.

Earnings have improved, even though expectations were not totally fulfilled last year, and the industry's competitive position was strengthened. Many mills were able to work at near full capacity, although towards the end of last year pulp makers reduced output.

Prospects for 1981 are still clouded. The Swedish companies had to absorb considerable energy cost increases last year and from the autumn a new agreement pushed up domestic pulpwood prices by about a third.

However, with an increase in the pulp price of $55 a tonne due in October and a dollar rate well above the average for 1980, the Swedish pulp and paper mills should on average at least maintain last year's profit level.

The picture is not uniform. Some companies, chiefly those with substantial hydro-electric power and forest resources, look very solid; others, such as those owned by forest owner cooperatives, are aiming at survival.

The state has taken a majority holding in Norrlands Skogagarnes Cellulosa (NCB) and a 40 per cent interest in Södra Skogagarnes. It has also advanced a loan to Munksjö in order to induce the banks to rally round and pull the company out of its difficulties.

## Shake-up

The variation in performance has opened the way for a further shake-up within the industry—a continuation of that merging into larger concerns which many observers have seen as inevitable. The latest joint effort by Stora Kopparberg and Billerud to take over Iggesund shows the trend.

Two factors are promoting this search for new alignments. One is the physical limitation of the country's wood resources, which curtails opportunities for future expansion of pulp and papermaking. The other is the delicate relationship between the Swedish industry and the papermakers of the EEC countries.

The forest industry remains a vital element of Sweden's economy. Last year it exported timber, pulp, paper and board to a value of about SKr 28bn (£2.75bn, $5.75bn) or more than a fifth of the country's total exports.

Although engineering exports are considerably larger, the forest industry because of the much lower ratio of imported materials in its output, is the bigger net exporter by far.

The sawmills export two-thirds of their production while the pulp and paper mills send more than three-quarters of their output abroad. The EEC countries take three-quarters of the paper and board exports, two-thirds of the pulp and close to 80 per cent of the timber.

There is no doubt that, even with a slower growth in paper consumption, the EEC countries will in future continue to rely heavily on the Swedes (and the Finns and to a lesser extent the Norwegians) to meet their requirements for forest products.

Under the free trade agreement between Sweden and the EEC, tariffs on pulp and board imports are due to be abolished in 1984. In the meantime tariffs are being steadily reduced and the annual ceilings on quantities, above which the Brussels Commission has the right to raise tariffs for the rest of the year, are being gradually lifted.

The Swedes grumble that the remaining eight ceilings on various paper and board grades do not comply with the growth in demand and they complain strongly about Britain's failure to adjust the duty-free import quotas in line with the annual 5 per cent increases permitted under the agreement with their former EFTA partner.

For all that the Swedes should be able to look forward to duty-free access to the Common Market from 1984. If they are not completely confident of achieving that goal, it is because of the quandary which lies at the heart of the relationship between the Swedish and EEC paper industries.

## Logic

Swedish mills—in common with the other Nordic producers—are both suppliers of pulp to EEC paper makers and competitors with their own paper products. Moreover, business logic dictates that they should convert more of their pulp into paper and board in their own mills.

They have been doing so although Swedish pulp suppliers vigorously deny that there has been any reduction in gross deliveries to their EEC customers. But from the EEC papermakers' point of view it looks as if they are being subjected to a scissors attack.

Put bluntly, the Swedes could restrict supplies of pulp to non-integrated Common Market paper makers and force them to shut, thereby making room for their own paper products. The suspicions of the EEC industry are also easily aroused by an indication of Swedish government intervention to reduce their mills' production costs or to ease the financing of more paper capacity.

Swedish pricing can sometimes be suspect in the eyes of EEC paper makers. Their non-integrated mills (those which do not have their own pulp sources) are sometimes obliged to absorb increases in the prices of imported pulp without being able to balance them through higher paper prices.

Doubt flares up when EEC plants are forced to close down, as happened in 1980.

On the other hand, ignoring protests from some of its papermakers, the Commission did raise the duty-free ceilings on imports from Sweden by the scheduled 5 per cent for 1981, which may be interpreted as recognition of consumers' interests and of the EEC paper market's reliance on imports.

The Swedish mill owners argue with considerable justification that the problems of EEC paper mills are due to their own inefficiency rather than to any sinister policy being pursued by the Swedish industry. But there is no escaping the tension implicit in the relationship between the two industries.

To ventilate the issue, the Swedish Pulp and Paper Association organised a two-day symposium in Stockholm last month under the heading "Sweden in Western Europe—co-operation instead of confrontation." It provided a forum for the expression of the Swedish industry's good intentions and its will to find sensible solutions.

Integration across the borders in the form of joint ventures by Swedish and EEC companies—as exemplified in Svenska Cellulosa and PWA's 50-50 investment in the Wifstavarf fine paper mill and Feldmühle's participation in the Norrsundet pulp project together with the Papyrus group—was suggested as one form of co-operation.

The question of the future relationship between the Swedish and EEC paper industries remains unresolved and can be expected to arouse a more intensive dialogue as 1984 approaches. For the Swedes it is closely connected with their other current concern, the wood supply.

Last year some Swedish mills had to suspend production for lack of pulpwood, it was asserted. Imports of pulpwood and chips are estimated to have reached a record 3.5m cubic metres, an increase of 35 per cent compared with 1979.

However, the increased import would appear to be inconsistent with the situation outlined by forestry experts. Thus, at the present time Sweden has the largest forest stock that she has ever had but annual fellings have been well below the 75m cubic metres it is estimated that the forests could yield.

At the recent Stockholm symposium Dr. Börje Steenberg of the Royal Institute of Technology stated that the wood production possibilities far exceeded the official 75m cubic metres available. He described that limit, which is not even being reached, and its consequences as "something of a national disaster."

Dr. Jaakko Pöyry, the Finnish consultant, commented that there was no real lack of wood as a basis for pulp and paper production. But there were political and institutional problems in getting the wood out of the forests.

A lively debate is currently being waged within Sweden. Some argue that the wood-processing industry is already too large for the domestic raw material available. Others claim that the forests are being inadequately exploited.

The issue is compounded by the increasing competition for the wood. In their hunt for alternative sources of energy, by which Sweden's heavy dependence on imported oil can be reduced, energy consultants have recommended the construction of district heating plants fuelled by wood chips and waste.

At the core of the debate is the cost of exploiting the least accessible parts of the forest and the price or tax incentives that could be offered to forest owners to cut more trees.

The pulp and paper industry regards this tax concession as too small an incentive. It attaches more hope to the general reductions in income-tax rates which the Government is pledged to make but which have been postponed until 1983.

## Tax relief

In the meantime, the industry recently proposed the Government should grant forest owners special tax relief.

However the issue of wood supplies may be ultimately resolved, the fact is that mill owners in planning for the future anticipate a shortage of wood and sharply rising costs for their raw material. Inevitably, this is an important factor in investment decisions and in weighing up the competitive possibilities of investment in new capacity.

Last year, it is estimated, the Swedish pulp and paper manufacturers were able to improve their competivity compared with North American manufacturers, who experienced both higher wood costs and rises in energy prices, which also increased the cost of shipping across the Atlantic to the West European market.

The appreciation in the value of the dollar has also had advantages for the Swedes. Nevertheless, last year Sweden lost its position as the leading supplier of pulp to the EEC to Canada, although it expects to regain the top position this year.

In the longer run, however, the unexploited wood resources, especially in the south-east U.S. and the financial strength of the North American manufacturers, are likely to increase their influence on the pricing of many bulk paper and board grades on the West European market.

The considerations affecting Swedish investment decisions were spotlighted by Mr Bo Rydin, managing director of the largest forest-based group, Svenska Cellulosa (SCA) in an address to his shareholders this year.

SCA has planned investments for SKr 2.9bn ($600m) in the four-year period 1979-82 and these include neither its partnership with PWA of West Germany in the Wifstavarf fine paper plant nor the expansion in newsprint capacity that it is expected to decide on towards the end of 1982 or beginning of 1983.

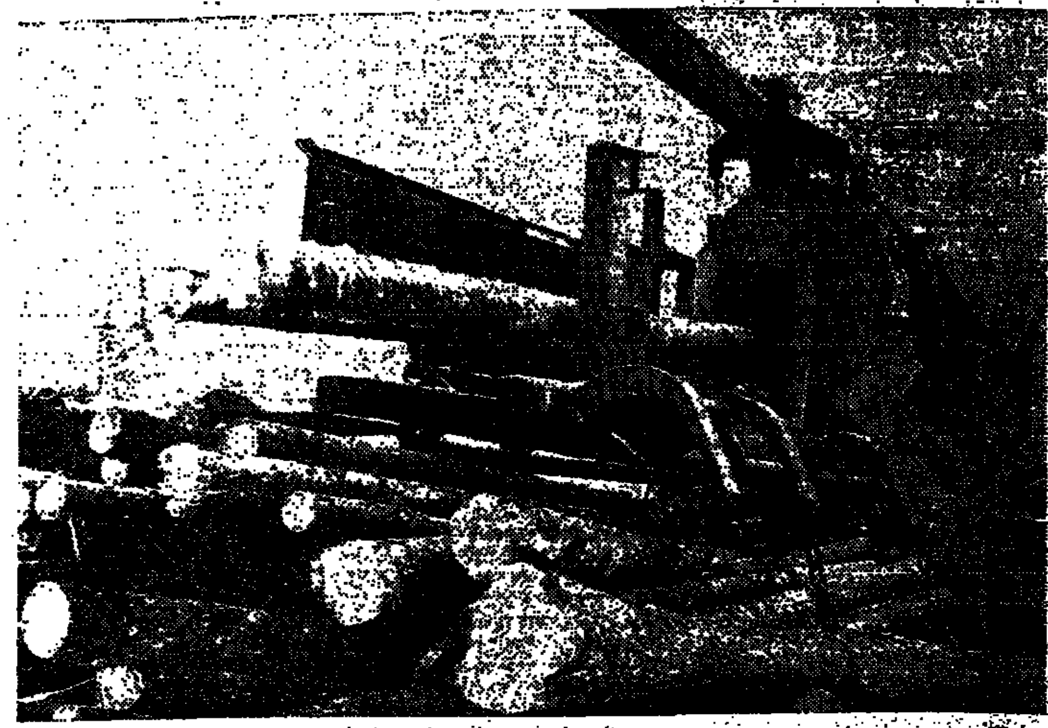
Diversification was the central theme in Mr Rydin's account. The more offensive capital spending is going to Mölnlycke, the consumer products company, and to an extension of hydro-electric power capacity.

Investment on the pulp and paper side has a more defensive character and is limited by the self-imposed criterion that SCA must be able to meet half its wood requirements from its own forests. It should be noted that SCA is one of the group with the richest forest resources.

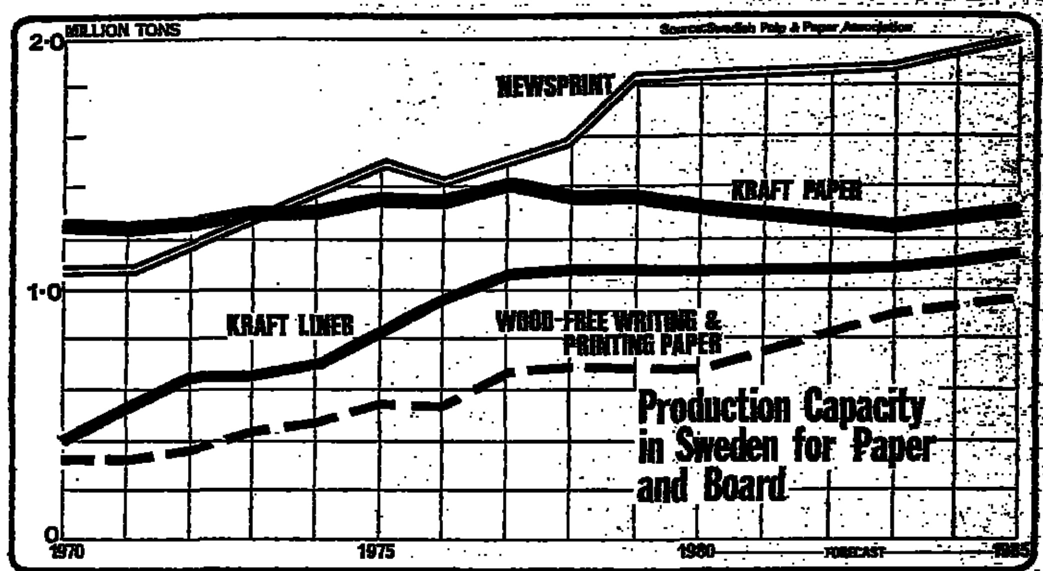
It is already a highly integrated group, absorbing three-quarters of its pulp output in its own paper and board plants.

Mr Rydin proposes, however, to meet the requirements of SCA's customers in the EEC through the agencies he has acquired for the sale of pulp from the Cameroons and Morocco.

If allowance is made for the fact that SCA is one of the most profitable and financially solid Swedish concerns, Mr Rydin's address neatly encapsulated the primary factors which currently govern the operations of the Swedish pulp and paper industry.



Sawing logs ready for transport to the mill. There is a vigorous debate in the industry about the amount of the country's wood reserves




## INTEGRATION OF SWEDISH PULP PRODUCTION

('000 tonnes)

| | 1960 | 1970 | 1980 |
|---|---|---|---|
| Total pulp production | 5,022 | 8,142 | 8,900 |
| Pulp for the production of paper/paperboard | 2,085 | 4,272 | 5,760 |
| Proportion of pulp converted within the country (%) | 42 | 52 | 65 |

## TOTAL PRODUCTION OF CHEMICAL AND MECHANICAL WOOD PULP

('000 tonnes)

| | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|
| Mechanical pulp | 1,514 | 1,527 | 1,748 | 1,981 | 1,959 |
| Semi-chemical pulp | 329 | 307 | 351 | 348 | 343 |
| Dissolving pulp | 257 | 234 | 231 | 196 | 122 |
| Bleached sulphite | 691 | 529 | 635 | 613 | 531 |
| Unbleached sulphite | 539 | 379 | 374 | 405 | 390 |
| Bleached sulphate | 2,860 | 2,688 | 2,945 | 3,168 | 3,089 |
| Unbleached sulphate | 2,132 | 1,992 | 2,273 | 2,372 | 2,279 |
| Total wood pulp | 8,322 | 7,656 | 8,557 | 9,083 | 8,713 |
| Total capacity | 11,215 | 11,440 | 11,545 | 11,210 | †10,540 |

† New definition.

## EXPORTS OF CHEMICAL AND MECHANICAL WOOD PULP

| | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|
| Mechanical pulp | 271 | 280 | 387 | 432 | 364 |
| Semi-mechanical pulp | 18 | 20 | 25 | 30 | 11 |
| Dissolving pulp | 188 | 207 | 205 | 183 | 85 |
| Bleached sulphite | 302 | 393 | 447 | 347 | 259 |
| Unbleached sulphite | 126 | 107 | 120 | 117 | 103 |
| Bleached sulphate | 1,910 | 1,910 | 2,264 | 2,044 | 1,806 |
| Unbleached sulphate | 357 | 433 | 523 | 435 | 341 |
| Total wood pulp | 3,172 | 3,350 | 3,971 | 3,578 | 2,969 |

Source: Swedish Pulp and Paper Association.

# Order books remain firm despite tough competition

CONSTRUCTION

WESTERLY CHRISTNER

SWEDISH CONTRACTORS have been able to maintain respectable international project order-books despite hardening competition. They have capitalised on their expertise both in civil engineering works and in handling turnkey projects as well as on their reputation for delivering on time.

Some companies have merged or found other means of consolidating their operations to ensure continued success. The four largest groups are aggressively seeking out new markets. Financing some projects has remained a problem, however, as have high production costs. State export credit resources are of modest size compared with such competitors as France.

To some extent, the Swedes have also been able to keep up sales of building materials abroad because of specialisation and early market penetration.

Still, the building materials industry in Sweden is facing a structural crisis, owing to the decline in housing construction. Some companies in the branch are joining forces to expand export operations in the hope of maintaining sales and employment.

Swedish contracting companies have been forced to look for business outside the small home market mainly because of the dramatic slowdown in domestic construction over the last decade.

Within this period demand for new housing is estimated to have dropped by more than half, resulting in buy-ups of smaller companies by larger ones. Bitterness towards the Social Democrats, who are blamed for this situation, still exists in the business. During the 1960s the Socialists, who were then in power, initiated a gigantic building programme. The scheme was said to have caused severe housing over-capacity.

Politics was not the only catalyst for triggering the demise of Sweden's domestic construction business. High prices and labour costs and inflation have also contributed their share.

The costs of constructing multi-family dwellings skyrocketed by 175 per cent between 1974 and the third quarter of 1980, the government's Price and Cartel Office (SPK) reports. SPK found no basis for assuming that the cost growth was in the process of falling.

The contracting companies have continued to attempt further expansion of their foreign operations to reduce vulnerability in the home market. Skånska Cementgjuteriet, one of the largest construction companies in the world, generates a quarter of its total sales abroad.

Last year these sales rose 10 per cent, to SKr 2.63bn ($536m) from total group turnover of SKr 10.3bn. In 1980 pre-tax profit climbed to SKr 610m, a SKr 174m gain on the previous year.

Skånska is strengthening its foothold in some key foreign markets through acquisitions. This has been the case in the U.S., where the group recently bought large stakes in Alpha Portland Industries, producing cement and involved in heavy construction, and Canadian Foundation, another building concern.

## Established

In addition, Skånska is already firmly established in Eastern Europe, Latin America and the Middle East. It was the first Swedish contractor to strike a deal with Russia, in 1899. Skånska even had a subsidiary in St. Petersburg but it was liquidated in 1910.

The value of Skånska's Libyan orders is SKr 1.6bn. In March, Libya's social security fund awarded the company its largest contract to date, worth SKr 1bn, to build a hotel in Benghazi and two tourist resorts on the Mediterranean.

ASEA, the Swedish heavy electrical engineering group, joined forces with Skanska in Peru. They signed a SKr 500m contract with the Peruvian state power company, Enpresa Publica de Electricidad del Per, for a hydro-electric power station at Carhuaquero, northern Peru. A British company, Engineering Power Development Consultants, is also participating in the project. Skanska's share of the deal is put at about SKr 300m.

The concern has also drawn considerable financial strength from being one of Sweden's largest real estate owners. So, for that matter, has ABV, the second-largest contracting company, which grew from a merger in the mid-1970s. Its property investments today are valued at about SKr 650m.

ABV's pre-tax profit in 1980 was SKr 87m, a 14.5 per cent increase from the year before, on group sales of SKr 4.9bn, a 16 per cent gain. Like Skanska, the company is buying U.S. market shares. Last month it acquired Ray Wilson Company, involved in heavy construction in California.

This group has tapped the Libyan market as well. Recently, ABV took on one of its largest contracts ever, from Libya's Ministry of Housing. The contract, worth SKr 600m, covers building a garden city for 4,000 people near the oasis of Kufra, in the Sahara Desert.

In addition, ABV is partner in a consortium of contractors for a SKr 400m order from Saudi Arabia. The contract is for building a massive water treatment tower at Jubail, a new industrial township, placed by the Royal Commision for Jubail and Yanbo. The consortium comprices Finland's OMP and SIAB of Sweden with ABV holding a 40 per cent share and the other two 30 per cent each.

With a merger due for completion by the beginning of next year, Johnson Construction Company (JCC) will become the third largest contracting group in Sweden, generating annual sales of around Skr 4bn.

The two units being merged, Nya Asphalt and Svenska Vägaktiebolaget, are already well established in the Middle East and Eastern Europe. After the merger, Svenska Väg will be JCC's international division. Both companies belong to the Axel Johnson group, Sweden's largest privately-owned business after the Volvo automotive combine.

Belonging to an industrial concern represented in 30 countries gives the company a big advantage in competing for contracts, says Mr Curt Nilsson, board chairman of JCC.

Two Swedish concerns—JCC and Skanska—have a specialty for which there is growing demand: constructing rock caverns for oil storage (and subspace contracting in general).

JCC was the first in this field. In the 1940s the company bought the patent for a construction technique for unlined rock. With surface space at a premium, the utilisation of sub-surface space is rapidly becoming an economic and environmental necessity.

In 1978, JCC completed four huge caverns for storing up to 1.2m cm of crude oil at Hissingen, near Gothenburg on Sweden's west coast. They are claimed to be the world's largest man-made underground caverns. The project is being expanded now. When the entire complex is finished it will hold 4.6m cubic metres of crude. Two more complexes are under construction.

## Waste storage

Another important use for rock storage concerns highly dangerous radioactive nuclear waste. A team of American and Swedish scientists is studying the possibility of storing such waste in specially-designed underground caverns carved out of granitic rock, a stable crystalline rock found in many parts of the world. An abandoned iron ore mine at Stripa, in northern Sweden, is being used to test the properties of the rock (but no waste will ever be stored there).

SIAB Byggen, Sweden's fourth largest contracting company, has concentrated its international activities mainly in the Middle East and Eastern Europe.

In the Middle East, SIAB's biggest customers are Libya and Saudi Arabia. However, its share of East European orders—once its foremost market abroad—is decreasing now, according to the company, because of the financing problems which have affected so many contractors' order-books in recent years.

SIAB has been acquiring small domestic construction companies. Last year group pre-tax profit was SKr 25.7m on sales of SKr 2.1bn. This was SKr 13m less than in 1979 when consolidated turnover reached SKr 1.6bn. In the last two years, about 10 per cent of total sales were generated outside Sweden, but this year the proportion will increase, according to the company.

# Expansion depends on growth in exports

CHEMICALS/PHARMACEUTICALS

WESTERLY CHRISTNER

SPECIALISATION has been the key to the growth of Sweden's chemical and pharmaceutical industries. Although total chemical output is declining compared with total manufacturing, production of non-basic chemicals, including pharmaceuticals, is calculated to be rising slightly, according to the Association of Swedish Chemical Industries.

The companies which have concentrated on products where added value is more important than bulk output, have achieved a faster rate of growth.

Sweden does not have a large chemical industry, compared with many other industrialised countries. Its turnover in 1980 was SKr 18.2bn ($3.75bn), or just about 5.9 per cent of manufacturing industry sales. Exports amounted to SKr 7.3bn last year, or 5.4 per cent of Sweden's total foreign trade sales, showing a slight decrease from 1979.

The country possesses no oil or gas and has few other raw materials needed for chemical production. Historically, chemical production evolved within companies producing metals or pulp. The national resource applicable to chemical production was relatively cheap hydro-electric power.

During the 1960s it became obvious that petro-chemicals had to be the base for organic chemical production. Today, there is only one naphtha-based cracker for ethylene in Sweden, at Stenungsund. Continued expansion within the chemical industry depends on the import of raw materials and production oriented mainly to export.

One company that can still be sustained by the small home market is Sweden's sole manufacturer of commercial fertilisers, Supra. To meet the growing domestic demand for composite fertilisers, Supra is investing SKr 150m in a new plant for added nitric acid and melted ammonium nitrate output. Negotiations are in the pipeline between its parent company, the Boliden metals group, and Norsk Hydro for Supra's takeover by the Norwegian company.

In pharmaceuticals, the Swedes have combined a preference for biochemistry with an interest in general therapeutic techniques. Now they may be well placed to benefit from the expansion of biochemical research during the 1970s, and its development into biotechnology. But the view that the industry offers a base for industrial renewal is contested.

The industry developed quickly during the 1970s from rather small beginnings. It more than quadrupled its turnover during the decade with sales made abroad rising considerably faster than those generated domestically. The six companies which make up Sweden's pharmaceutical industry, accounting for about 97 per cent of total output, last year had a turnover of Skr 4.6bn and exports of Skr 1.07bn.

## Export sales

Pharmaceutical sales outside Sweden grew to Skr 2.2bn last year from Skr 2bn in 1979, according to the Swedish Pharmaceutical Industry Association.

Overall employment within the industry in Sweden last year remained at about 13,600 while the number of people working in research grew slightly, to 1,700. Over the last 30 years, the Swedish companies have had a steady lift in the number of important product launches. In the 1950s there were three, in the 1960s nine, and during the past 10 years as many as 12.

Their research record does not, of course, mean that the Swedes have solved the problems of the costly operation needed to achieve deep market penetration.

At present the industry finances most of its research and development from its own resources. It benefits from some tax relief in that, when calculating their tax liabilities, companies can deduct 10 per cent of their research and development costs and 20 per cent of the annual increase in such spending. Foreign corporate research costs can also be deducted with permission of the Riksbank.

The system is up for review at the end of this year. The main alternative suggested is project-bound deductions, which the companies are prepared to resist vigorously.

Last year Swedish pharmaceutical companies spent SKr 544m on research and development, a rise of SKr 78m on the year before. This amounted to 16.7 per cent of turnover during 1980, up from 16.3 per cent during the previous year.

The pharmaceutical companies have been accounting on average for about 5.5 per cent of total industrial research in Sweden in recent years, whereas the pharmaceutical industries in other industrialised countries of the OECD had a 5 per cent share of national totals.

A problem that remains is the need for reinforcement on the marketing side. The reasons are partly the problems of getting drugs registered in other countries (although the Swedish medical services offer a fine system for clinical testing of drugs), and partly the lack of financial resources.

The largest company in the branch, Astra, is finalising a deal with Merck, the U.S. drugs group, to develop and market Astra products, which may mean faster approval of their drugs about to be introduced on the American market. Astra's sales in North America reached SKr 252m last year, a 17 per cent increase from 1979. It expects to invest about SKr 65m in the U.S. this year.

Both Astra and Fortia—the second largest company—are both listed on the stock exchange, attracting considerable interest among foreign investors. Fortia, responding to demand from foreign investors, has just authorised its board to issue 500,000 new "free" B shares. Only 17 per cent of Fortia's present 2.5m shares are "free" shares available to foreign buyers. A one-for-five rights issue is expected to be made later this year.

Fortia is expanding in biotechnology through its producing company, Pharmacia. Its diagnostic kits are highly profitable and Pharmacia is among the world leaders in radio-immuno-assay testing equipment.

Kabi-Vitrum, the third biggest, is wholly State-owned and has returned to profitability this year after a loss of SKr 22m in 1979. Leo, holding the fourth spot, is owned by a Danish holding company and sells mainly to the home market.

Ferrosan, number five, also sells mostly to the domestic market. Ferring, the smallest, is involved in pituitary gland research and is widely known for preparations for the treatment of gastro-oesophageal reflux and in pre-radiology.

The situation in the world pharmaceutical market may be favouring the Swedes. Big companies with established distribution organisations in the major markets, especially the U.S. and Japan, now lack new original products. But the Swedes appear to be still in an experimental stage in their foreign marketing, operating by trial and error.

The Swedes are looking to their famed engineering industries to provide the first signs of renewed growth. Articles on this and the next page review a selected group—with the main emphasis on high technology.

# Mergers aim to strengthen marketing thrust

SWEDISH INDUSTRY must be reinvigorated and grow again. The idea has become axiomatic among politicians, trade union leaders and economists over the last few years after a period when other political priorities prevailed.

Industrial expansion is dictated by the need to provide jobs and by the imbalances in the economy demonstrated in the current account and budget deficits. Even Left-wing politicians admit that industry has to make bigger profits.

The problem is that even after the profit improvement in many companies during the past two years industrial investment has not really recovered. The reason is not difficult to find. Today fewer than one-third of industrial concerns are working to capacity and during the 1980 upturn not even half reached full capacity.

In this situation the spotlight is on Swedish engineering which provides close to 40 per cent of total industrial output and somewhat more of exports. It includes six of the country's largest businesses, including multinational companies whose growth prospects should be among the best.

The immediate outlook is not bright. In their latest joint assessment of the business situation the Mechanical Engineering Federation and the Engineering Employer's Association anticipate reduced demand, low productivity growth and a deterioration in the competitiveness of Swedish companies compared with other West German producers.

## Downwards

Looking back, the long-term trend too has not been promising. In 1975, the last boom year, the engineering companies employed 440,000 people: currently there are fewer than 400,000. Earnings development has been downwards. After recovering in 1979 the return on equity achieved within engineering slipped to barely 8 per cent last year.

Nevertheless, the picture provided by the statistics needs amplification and correction. At the company level much has been happening recently within Swedish engineering and the industrial restructuring, which economists have seen as inevitable after the punishment inflicted on Swedish shipbuilding, steel and mining, is already very evident.

Last year was a bumper one for mergers, for instance. The most dramatic has been the formation of the Volvo-Veijer group from the automobile company and the Beijerinvest trading and industrial conglomerate. The health of this giant with SKr 22bn ($4.4bn) in capital and a turnover of more than SKr 45bn will be crucial to the whole economy from now on.

Electrolux and Granges are working hard to draw the maximum benefits from their merger. The sale of Granges' hydro-electric plants to the state power board should release considerable capital for investment and expansion in other areas.

On a smaller scale Bahco: the machine tool company, has appeared from mergers and the incorporation of Hiab-Foco, the hydraulic crane manufacturer, as an interesting potential growth point on the engineering scene. Its ambitions have been demonstrated by its purchases of British and West German companies.

Several of the larger Swedish concerns have been advancing their positions and looking for new markets abroad. Atlas Copco is setting up production units in the U.S. AGA, having hived off its engineering operations into an independent company, Pharos, is busy expanding its international business in industrial gases.

The thrust to conquer new markets abroad by the big names in Swedish engineering also appears to be accompanied by a realisation of the need for marketing expertise in top management. Thus, ASEA, the heavy electrical group, which has a fine record of product development and a poor profit performance, has brought in a young marketing man as managing director.

The non-socialist coalition government has followed the fashion in Western Europe generally to promote small businesses. Mr Nils Aasling, Industry Minister, has used regional development funds as his chief instrument with uncertain success. The funds have been given some SKr 2bn to spend but losses on their investments appear to have been heavy.

## Suspect

A second small business Bill is being prepared for submission to the Riksdag next spring. This is expected to ease taxation on family concerns and to open up new channels for the provision of risk capital to small companies, possibly by the introduction of new, specialised investment companies and small business stock exchanges.

The existing investment companies are also paying an increasingly influential role within the engineering industry. One of them, Promotion, was behind the reorganisation of Bahco. Another, Hexagon, has a stable of advanced technological companies.

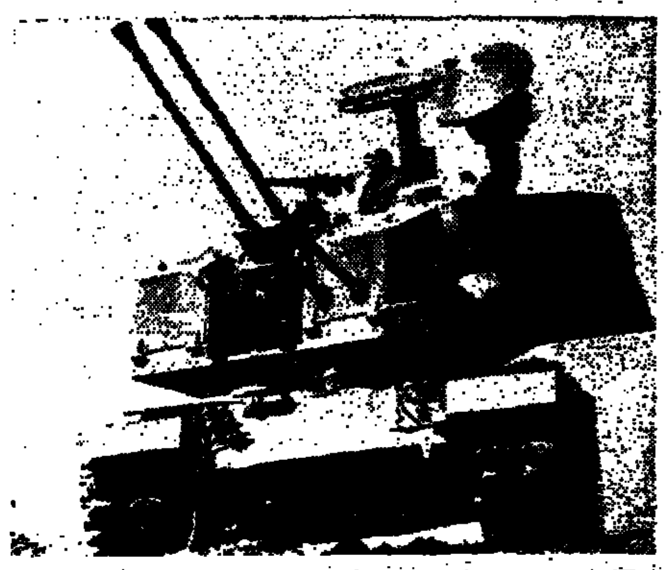
Their significance in promoting growth in engineering and industry in general should not be under-estimated and is perhaps peculiar to Sweden. The ban on bank ownership of company shares prompted them to set up investment companies as the arm for their industrial interests.

A matter of some present concern for the engineering industry is the attitude of the Social Democrat Party which, after the collapse last month of the non-socialist majority coalition, seems to be set to return to power next year.

The Socialists' desire to introduce employee investment funds financed out of company profits is regarded as a negative step unlikely to stimulate investment. The production factor tax with which the social democrats have been toying is also suspect.

On the other hand, Mr Olof Palme, the Social Democrat leader, has stated firmly that priority will go to increasing employment within industry.

**William Dullforce**



*The latest version of the Bofors 40mm gun with self-propelled platform and radar control—the type to be used in the U.S. contract*

# Breakthrough for Bofors in U.S. contract

**ARMAMENTS**

WESTERLY CHRISTNER

THE POLITICS of neutral Sweden's arms exports are complex in the extreme, due in part to widespread public antipathy to trading in weapons. Traditionally, the ammunition and weapons output of Bofors, the country's major arms manufacturer, has gone to the Swedish defence forces. With domestic defence spending being curbed that proportion must gradually be reduced, possibly by as much as half.

In 1980, the total defence budget remained at about Skr 17bn ($3.5bn), while weapons exports rose to Skr 2bn from Skr 1.6bn in 1979, preliminary figures show. Bofors has been seeking more export orders to maintain production volume threatened by the stagnation in domestic defence spending.

In May it was thrust into the international spotlight by landing a major U.S. Army contract for its 40mm anti-aircraft gun.

After trying to diversify into "civil" production for the last 100-odd years, Bofors has now concentrated more on armaments and chemicals under its present managing director, Mr Claes-Ulrik Winberg.

Group profit in 1980 reached Skr 251m, 43 per cent higher than the previous year. The armaments business recorded sales of Skr 2.29bn, ahead by SKr 620m, and turned in an operating profit of Skr 258m, compared with Skr 184m in 1979. This was the result of big defence contracts.

The American contract, in which Bofors is co-operating with Ford and Westinghouse, is said to be worth about $4bn over the next 5¼ years. Under the deal, the U.S./Swedish consortium will supply a mobile divisional air defence system for the Army. Bofors will contribute the gun, Westinghouse will supply the radar, and Ford the platform and fire control system. Ammunition for the Bofors gun will be made under licence in the U.S.

Valued at $159.2m, an initial order has been placed for production and development, of which the Bofors share is about $17m.

In a second stage the Army will order 276 units, to be delivered over a three-year period. A third stage will bring the total to 618 units.

Bofors sees the contract as a major breakthrough, opening up the possibility of orders from other countries, in particular other Nato members.

# Worldwide dominance of SKF group

**BEARINGS**

WILLIAM DULLFORCE

SWEDISH ENGINEERING has a world leader in SKF, the Gothenburg-based manufacturer of ball and roller bearings which supplies close to a fifth of the Western world's rolling bearing requirements. Its nearest competitor is barely half its size.

SKF has fought hard and successfully to maintain this market dominance over the past five years or so, in particular against a concerted price attack from Japanese manufacturers. In 1977 the outlook, at least on the surface, was grim.

In that year SKF made a pretax profit of only SKr 15m on a group turnover of SKr 8bn. Last year it returned SKr 953m (£93m, $190m) on net sales of SKr 12.5bn, having more than quadrupled earnings in two years.

The bearings accounted for 68 per cent of group sales and 85 per cent of earnings. Two-thirds of the bearings are sold in Europe, where SKF holds close to 40 per cent of the market and has four major production centres in Britain, France, West Germany and Italy in addition to the home base in Sweden.

An overseas division sells bearings in about 100 markets outside Europe, with production taking place in Argentina, Brazil, Canada, India, South Africa and in a joint venture in Mexico. Capacity is being expanded in Brazil, India and Mexico.

Moreover, SKF is now poised to go on the offensive in the U.S. Modification to the American anti-trust legislation will from now on enable SKF to co-ordinate the operations of its U.S. subsidiary with the rest of the group.

The Swedish group's successful defence of its position as the predominant would bearings manufacturer is as much a result of determined management as of technical competence. Its managing director, Mr Lennart Johansson, has pushed through an impressive production rationalisation programme.

Under the pressure of competition other manufacturers chose to concentrate on specialised bearings. SKF set about retaining its market shares by automating its production lines and reorganising the group to provide long production runs with their accompanying economies of scale.

Its main instrument has been its global forecasting and supply system, which has enabled SKF to concentrate production so that a given bearing is made by only one factory. Previously each factory made a broad range of bearings; now each manufactures fewer varieties and sizes in much greater volume.

Six factories have been closed but the remaining 16 produce some 70m more ball and roller bearings a year than the original 22 plants were doing four years ago. The variety of bearings produced has been cut from over 30,000 to between 18,000 and 19,000.

The workforce worldwide has been reduced by over 20 per cent to 54,000. For several years now SKF has recorded productivity increases of 9 to 12 per cent, figures which are surely the clue to its successful resistance to the Japanese onslaught.

Significantly, too, management considers that its drive for more effective production has only just begun. Its next project, PC-80 — where PC stands for production concept— will introduce computerised machines giving wholly automated production.

A prototype is being tested and the aim is to have the first PC-80 production line working at Gothenburg in the beginning of next year. It aims to provide non-stop production of bearings 22 hours a day.

Continuous product development in co-operation with customers is another SKF hallmark, in which the engineering and research centre near Utrecht in the Netherlands plays a key role.

One of the latest fruits of its work was the "hub unit," a wheel-bearing unit based on angular contact ball bearings and specially designed for cars with front-wheel drive. It was introduced on Fiat's Panda models.

The bearing business is very capital-intensive and earlier this year SKF launched a rights issue to raise SKr 270m in additional capital. In the issue prospectus the board noted that continued rationalisation and systems improvements should allow SKF to reach its target of a profit return on total assets 3 per cent higher than the weighted inflation rate on the group's major markets.

# Lively potential on the doorstep

**FARM AND FOOD EQUIPMENT**

WILLIAM DULLFORCE

IT IS perhaps only in the last couple of years that it has dawned on the Swedes that they have a potential new growth area in farm technology and food-processing equipment. Alfa-Laval has long been known for its milk separator systems and Tetra Pak's worldwide organisation produced some 30bn milk and juice cartons last year.

Alfa-Laval, with 1980 sales of SKr 6.4bn (£630m, $1.3bn), is an engineering group with far more than milk-processing to offer. Tetra Pak, a family concern, is one of the most profitable and fastest growing Swedish businesses.

Both have scope for expansion in export markets but they could also be the spearhead for several smaller Swedish concerns. Sweden is so immediately connected in people's minds with engineering, steel and shipbuilding that its agriculture is apt to be overlooked.

Yields in Swedish farming are among the highest in the world and they have been achieved by far-reaching mechanisation and rationalisation by the use of machinery and processing systems. Now, under the aegis of the Export Council, some 35 companies have formed the Swedish Agro Package Project (SAPP) to promote exports.

SAPP's first target area has been the Middle East, but it also has had feelers out in other oil-producing countries such as Venezuela, Mexico and Nigeria. It has about 45 projects and ideas under examination.

The most spectacular illustration of the possibilities so far has been Alfa-Laval's $25m turnkey project in Saudi Arabia. A tract of virgin desert has been converted into what is probably the largest integrated farm and dairy project in the world.

By the end of last year roughly 800 hectares of desert had been irrigated from 20 wells, sown with grass and alfalfa and had given about 2,340 tonnes of fodder. By then 1,900 Dutch cows had been flown in and the farm stock comprised 600 milking cows, 1,300 heifers and 600 calves. Construction work started only in the spring of 1979.

The dairy plant was completed last autumn and at the end of 1980 was producing 10,000 litres of milk a day. The import of cows from the Netherlands will continue until the full complement of 3,600 has been reached.

So far the Saudi Arabian Agriculture and Dairy Company and its Lebanese partner have invested $200m in the project. Alfa-Laval is negotiating an expansion which would almost double the acreage under grass and provide for 10,000 cows in the first stage and as many as 25,000 later.

The United Arab Emirates is interested in milk production and sheep farming and has invited Swedish companies to start a pilot project. But jobs of this nature represent only a fraction of Alfa-Laval's operations. Some 85 per cent of its SKr 6.4bn revenue last year derived from customers outside Sweden.

The group's Agro Division is in fact second in size to the industrial division.

Under a new managing director, Mr Harry Faulkner, Alfa-Laval is driving hard for expansion abroad.

In the U.S. $8m is being invested in a new plant in the Middle West farming area and the whole American operation is being re-organised.

The U.S. market is also a target for Tetra Pak.

Initially, however, the American market will form only a small part of the Swedish company's operations. Tetra Pak estimates that last year it became the world leader in "liquid packaging."





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# Ericsson standard bearer for leading growth sector

ELECTRONICS

WILLIAM DULLFORCE

THE SWEDISH electronics industry is both lopsided and dynamic. It comprises about 350 companies the majority of which are small but in terms of the number of jobs created represent the fastest-growing sector in Swedish industry as a whole.

Nevertheless, roughly two-thirds of total electronics output comes from the 10 largest companies and one concern, the L. M. Ericsson telecommunications group. dominates the scene and is increasing its dominance.

Because of Ericsson's presence, the Swedish industry is heavily concentrated on communications electronics and the manufacturing of computer equipment, which together account for well over 60 per cent of total production.

On the other hand, expansion has been most swift recently in industrial and medical electronics with output of measuring instruments also accelerating fairly fast. This pattern indicates that the Swedish industry, which primarily harnesses rather than develops basic electronics technology, is moving into those fields which appear to be the most expansive on the world scale.

Manufacture of components—the crucial semi-conductors or integrated circuits—is relatively small scale in Sweden but two companies produce custom-designed circuits and investment is now going into expanding the country's capacity to design and build such circuits. There are no plans to compete in the making of standard circuits.

## Robots

The Swedes also have been applying electronics to their mechanical engineering plants faster than most countries. They have already installed some 4,000 numerically - controlled machines and about 1,000 industrial robots on their production lines.

A recent study by the State Industrial Board (SIND) revealed that of roughly 1,500 mechanical engineering companies it estimated could benefit from the introduction of electronics, some two-thirds had already begun to do so.

The result surprised the investigators, who had started with the assumption that the Swedish companies were not exploiting sufficiently the opportunities offered by electronics. However, it has not diminished SIND'S belief that better utilisation of electronics technology is essential to maintain the engineering industry's competitiveness.

Even today, at 2.5 per cent of GNP, Swedish electronics production is in relative terms third only to that of Japan and the U.S. It is higher than in West Germany, France or Britain and well ahead of its Nordic neighbours. This position has been achieved with modest state support compared with that available in many other countries.

SIND gives a figure of SKr 17bn ($3.5bn) for the sales value of electronics output in 1980. This includes exports of some SKr 6bn, of which the two principal items are telephone exchanges and data equipment.

Imports are roughly equal in value to exports with components accounting for about SKr 2bn and data handling equipment for slightly more than SKr 1.5bn.

One problem area has been the uncompetitive output of consumer electronics. The state has had to come to the aid of Luxor, the domestic manufacturer of television sets, and SIND is currently looking into the situation of a few exposed companies.

The Ericsson group is by far the heaviest investor in the industry. Last year it bought 90 per cent of Datasaab, a manufacturer of computers and data terminals, which had been owned half by the state and half by Saab-Scania and which had been running at a loss.

This takeover is part of Ericsson's thrust to diversify from its present dependence on sales of public telephone equipment into the private market for terminals and communication networks. It had previously formed a separate division to work with private data networks and equipment for the "office of the future."

Ericsson is trying to carve out a larger share of the private communications market but the move also has a defensive element in that it is a reaction to the trend among computer manufacturers to add voice communication to their equipment and to get into the office market.

Datasaab's small business computers and terminals give Ericsson a channel to the private market and some important applications. Datasaab has supplied over 100 U.S. banks, including Citibank, with equipment and has established itself strongly in Florida, for example.

Ericsson is currently focussing on the American market, having formed last year in partnership with Atlantic Richfield a new cable manufacturing group, Anaconda - Ericsson, which also has a small electronics subsidiary.

The Swedish group is working on a new digital PABX exchange and seeking ways of linking voice and data communication more effectively. It is thinking in terms of integrated networks based on a new family of products.

"The ultimate goal is to make components with which we can build up systems for all types of communication. With Datasaab and our own development strategy we are on the way towards a complete system," says Mr Gosta Lindberg, the senior vice-president in charge of research and development.

Ericsson is a multinational concern with worldwide sales last year of $2.8bn. Its computerised AXE telephone exchanges have been ordered by 28 countries. A modular system, which provides for regular upgrading as new technology becomes available, AXE has made Ericsson a leader in public telephone switching.

In Sweden, Ericsson not only dominates because of its size but also provides the electronics industry with a technological base through its subsidiary, Rifa, which is one of two companies manufacturing components, including integrated circuits. The other is ASEA-HAFO, a subsidiary of the electrical engineering group.

In addition to two plants in Sweden, Rifa has units in France and Australia. It produces capacitors, monolithic circuits and hybrid circuits of the thickfilm type. Its integrated circuits are almost exclusively custom designed.

Some 40 per cent of Rifa's $72m turnover in 1980 was absorbed within the Ericsson group but the company is now investing heavily in a new design centre for semi-conductor technology, which promises to be a very important base for Swedish electronics in the future.

## Concentrated

In the past Rifa has specialised in bipolar conductors while ASEA-HAFO concentrated on MOS technology and has also been working on SOS techniques. Recently, however, parallel with the decision to build the new design centre, Rifa has been moving into MOS technology on its own account.

ASEA has its own electronics division geared mostly to developing equipment for its locomotives, turbines and process control machinery. Its most spectacular advance has been work on industrial robots, which last year emerged as a separate division with its own management.

Production facilities for ASEA's two robots, which are mainly used for arc and spot welding, have been expanded at its Vesteraas headquarters to give a capacity of 700 machines a year.

The company opened a robot centre in Detroit after winning orders from General Motors and in April this year ASEA announced that it was taking over production of Electrolux's pneumatic material handling robots. At the same time it reported "breakthrough" orders for robots from two West German car makers, Daimler-Benz and BMW.

ASEA is already the leading manufacturer of industrial robots in Europe and, according to Mr Bjorn Weichbrodt, manager of the robot company, it is aiming to achieve a 20 per cent share of the world market in a few years.

Within the industrial automation field but at the other end of the scale among the small electronic companies, the star performer in recent months has been Selcom. Formed by a small group of engineers in a Gothenburg laboratory, it developed a technique of using infra-red rays to measure moving objects.

This instrument, dubbed the optocator, feeds information into a computer, where the dimensions of the object can be compared with specifications and quickly corrected. It opens up the possibility of testing every product on a production line rather than having to do random checks. Among Selcom's customers is General Motors.

## Dynamic

The small companies—those with fewer than 200 employees—provide only 7 per cent of total Swedish electronics production but SIND discovered in its study of the industry that they were among the most dynamic. They expanded the number of jobs by 23 per cent in the 1975-79 period compared with a 7 per cent decline in Swedish manufacturing industry as a whole.

SIND tried to isolate the elements distinguishing the successful from the unsuccessful companies. It concluded that the winners were those which dared to bring in outside help for finance and production while themselves concentrating on product development and testing. Selcom, for instance, turned to an investment company for finance and management.

The outcome of SIND's first investigation into the electronics industry in 1979 was recommendations for selective government financial aid amounting to SKr 146m spread over three years and concentrated in four areas.

It proposed increased grants to the technical universities for the purchase of equipment which would enhance their capacity to design and develop components, especially integrated circuits. It also wanted cash backing for companies' own research into semi-conductors.

To hasten the growth of awareness of the importance of electronics SIND suggested that funds be made available for secondary schools and universities to buy better training equipment. It also wanted money spent on promoting co-operation between semi-conductor manufacturers and the smaller electronic companies in the development of semi-custom designed circuits.

Finally, it recommended adoption of a system similar to Britain's MAP (micro-processor application programme) under which mechanical engineering companies about to introduce electronic equipment could receive financial help to employ consultants.

So far only the proposal to increase grants to the technical universities is being implemented. On the semi-conductor side Rifa was given a SKr 20m loan by the Industrial Development Fund to help finance its new design centre.

However, the Swedish state is strongly involved in electronics development through Ellemtel, the development company jointly owned by Ericsson and the Swedish telecommunications administration. State procurement, for instance, of locomotives for the railways and of turbines for the State Power Board has also played a role in promoting Swedish electronic technology.

ELECTRONICS MARKET 1980

| | Sales (SKr m est.) | Percentage |
|---|---|---|
| Communication electronics | 6,500 | 38 |
| Computer equipment | 4,500 | 25 |
| Industrial electronics | 2,000 | 12 |
| Consumer electronics | 1,500 | 9 |
| Components | 1,000 | 6 |
| Medical electronics | 900 | 5 |
| Measuring instruments, etc | 700 | 4 |
| Total | 17,000 | 100 |

Source: Roland Steen, State Industrial Board.

GROWTH IN EMPLOYMENT

| | 1975-1979 % |
|---|---|
| Small electronics companies | +23 |
| Engineering | 0 |
| Chemical industry | − 6 |
| Plastic goods industry | 0 |
| Total Swedish industry | − 7 |


*Kockums shipyard, Malmo. Lack of orders may force closure before restructuring plan can be implemented*

# Survival pinned to specialisation

SHIPBUILDING

WESTERLY CHRISTNER

IF THERE IS light at the end of the tunnel for Sweden's ailing shipbuilding industry, it is at least three years off. Restructuring of the state-owned shipyard group, Svenska Varv, is supposed to be completed by 1984, according to the plan being carried out by the group's board of directors.

The plan was approved by the Riksdag (Parliament), in January 1980. By 1985 the group should be returned to profitability—if all goes according to schedule.

To meet those timetables, however, has already proved to be very costly indeed. Even at the start, the plan was reckoned to call for state aid of SKr 6.4bn ($1.2bn). The estimate is said to be inadequate as of this year. The government has stated flatly that Svenska Varv has received all the financial support it can expect. Even if more were to be forthcoming, it is unlikely the plan can be carried out as originally intended.

Since 1977, the state has poured more than SKr 15bn into keeping the shipyards operating, including the funds earmarked for the restructuring plan.

Even so their manpower has been reduced during the same period by at least 9,000. The present workforce of 19,000 will be cut back a further 8,000 during the 1980-84 period. Even with considerable budget trimming, Svenska Varv's deficit last year alone almost doubled, to SKr 1.46bn.

Now, the system of state subsidies and loans to the yards will be phased out by 1984, causing them to feel the pinch of relatively high product costs even more sharply.

The plan was based on one main assumption: a neat system of specialising production at each yard. There are three yards involved in commercial output—Arendal, Kockums and Uddevalla. One is in naval new building and repair, Karlskrona; and there is a repair yard, Götaverken.

Arendal is supposed to be primarily involved in production for the offshore industry, including oil rigs and accommodation platforms, and in the construction of floating prefabricated processing plants.

Kockums will build tankers, bulk carriers and unitised cargo vessels (such as Ro-Ros), and gradually shift to output of gas and chemical carriers (which it has specialised in), ferries, repair work and subcontracting—presumably also for Arendal.

Uddevalla is to compete in building tankers, bulkers and unitised cargo vessels.

Kockums has had so few orders over the last two years that the yard is facing a financial crisis. Massive staff cutting is under way. Mr. Ebbe Krook, the new managing director, has stated that Kockums may have to be closed down well before the restructuring plan is worked through.

Uddevalla has been faring better with a current total of 10 vessels on order and under construction, although the yard is expected to return a loss this year, as in 1980.

Arendal has been the big winner, doing a brisk business in offshore orders. It recently landed a SKr 350m contract for a Pacesetter-type of accommodation and maintenance rig.

The most recent loser has been the Oresund yard, the only large industry in the town of Landskrona, which is being shut down by 1983. For this purpose, SKr 1.45bn was set aside in the restructuring plan.

This picture of gloom, however, has at least one—if minor—bright spot. There is still a privately owned shipyard in Sweden, Oskarshamn. It belongs to the family owned Johansson group, which keeps its financial results under tight wraps.

Despite recent over-expansion within the shipping activities, the company's yard is understood to have always done well, producing medium-sized specialised vessels such as oil tankers of the 20-24,000 deadweight ton (dwt) class.

Production has largely gone to filling the group's own order-book, but increasingly, Johansson is looking for more external orders in certain niches of the international market. For example, the group is negotiating with the Tunisian Government for the sale of a 24,000 dwt tanker.

# Heavy vehicles spearhead export successes

TRANSPORT EQUIPMENT

WILLIAM DULLFORCE

MANUFACTURE of transport equipment is a source of both strength and vulnerability in Swedish industry. It is in fact remarkable that a country as small as Sweden has been able to build up and retain such a substantial output of cars, trucks and aircraft in one of the most competitive businesses in the world.

The importance of General Motors and the car industry to the U.S. economy is well documented. In relative terms Sweden's vehicle industry is even more important for its economy since it depends far more on its ability to sell on foreign markets.

The vital core of the Swedish vehicle industry is the manufacture of trucks. Last year both Volvo and Saab-Scania made losses on their cars but their trucks pulled in earnings which exceeded group profits as a whole. Although neither company gives a breakdown of turnover and earnings, it is understood that each earned more than SKr 1bn ($200m) pre-tax from sales of trucks and buses.

Exports of trucks and buses amounted to over SKr 5.5bn last year, or around 4 per cent by value of total Swedish exports. Although three-quarters of deliveries are made to the Nordic countries and Western Europe, the Swedish manufacturers have succeeded in diversifying into other markets, particularly the Middle East. More than 90 per cent of output is sold abroad.

The secret of the Swedes' success is their specialisation in the heaviest class of trucks, those of 15 tonnes and over, and their emphasis on quality and durability. Whereas many other truck makers assemble their vehicles from components bought from outside suppliers, the two Swedish concerns design and build their own drive lines.

Local production has enabled them to penetrate distant markets. In others they have managed to develop a sufficient sales volume to support the back-up and service organisation, which is another factor in their success.

Last year Volvo, which also makes medium-sized vehicles, sold 26,300 trucks worldwide to a value of SKr 6.56bn. Income climbed by SKr 560m. Deliveries were down by some 1,700 but in a declining world market Volvo increased its market share.

Scania earned SKr 5.6bn on its trucks, of which it delivered 24,000 and a further SKr 612m from its buses. Its return on investment is even higher than Volvo achieves on its truck operation.

Both are investing in expansion and market penetration. Saab-Scania estimates that 60 per cent of its capital spending over the next few years will go into trucks and buses while Volvo is buying White Motor Corporation in a bid to conquer the American market.

Yet if all signals are "go" for the truck operations, the Swedish manufacturers cannot look ahead with equal confidence in their car businesses. Both sold fewer cars for less money last year and both ran into the red. They also have different strategies for survival.

Volvo made 270,000 cars last year and has capacity for well over 300,000. It has sold a minority shareholding in its car corporation to Renault of France and last month it negotiated a deal under which the Dutch Government is taking majority control of the factory in the Netherlands producing the medium-sized Volvo 340 models. Volvo has never made a profit on its Dutch operation.

In the first quarter of this year, helped by a rising dollar rate, Volvo's car business returned to profit. Like most other European manufacturers Volvo has shown itself nervous about Japanese competition but with its balance sheet cleared of the Dutch operation it should have a better chance of consolidating its share of the market, in which its larger 240 and 260 models compete.

Saab has had something of a technical triumph with the introduction of its 900 models and its turbo engine in 1978. These models, which give greater profit margins than its older models, brought the car operation into the black in 1979 but could not keep it there last year.

This year Saab is hoping to raise deliveries from 66,000 to 74,000 cars. For the longer term it is counting on co-operation with Lancia to produce a new car for the late 1980s.

It is just possible that the Swedish car industry has an ace up its sleeve. United Turbine—90 per cent owned by Volvo—has been testing a gas turbine engine with a new transmission system which could turn out to be the first practicable such engine for use in private cars.

Another impressive feature of Swedish engineering is that it is still in the aerospace business. How much longer this will be so is a matter of politics and the future size of the Swedish defence budget, but Saab-Scania has just submitted specifications and price for a new multi-combat light aircraft, code-named the JAS, for the Swedish Air Force which could keep it in business until the end of the century.

It is also making a bid for a profitable share of the civil aircraft market by building together with Fairchild Industries of the U.S. a 34-passenger commuter airliner, the SF 340.

Even in railway transport Sweden has advanced technology to offer. ASEA's electric motors are being built under licence in Britain for British Rail's 155 mph Advanced Passenger Train and the Swedish group is picking up major international orders for its thyristor locomotives.

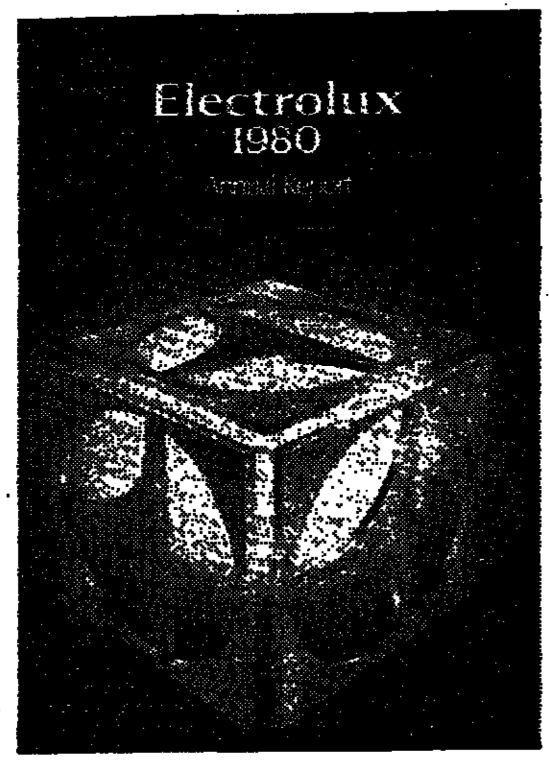
# SWEDISH INDUSTRY REPORTS

VOLVO · FORTIA Pharmacia · SAAB-SCANIA · SWEDISH MATCH

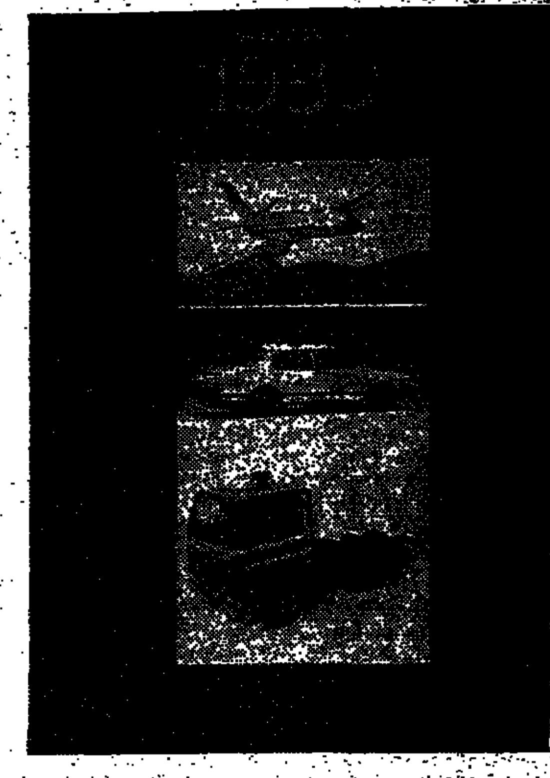
SCA · Swedish State Company Ltd. Statsföretag AB · Electrolux · Alfa-Laval · AGA · BAHCO


SCA has entered the 1980s with an enormous programme of investments aimed at the future. Projects already approved involve expenditure of SEK 2,900 million in plant machinery during the period of 1980-1983. Among the projects are modernisation and enlargement of the Ostrand bleached kraft pulp mill, expansion of BAKAB's production of hydroelectric power and comprehensive investment in the Molnlycke hygiene programme. The financial strength of the SCA Group is illustrated by the fact that the investment programme will be 80% self-financed.
1980 was a good year for the Group. The surplus increased by 28% to SEK 688 million.


Alfa-Laval Group sales in 1980 increased to US$1,355 million Income, before special adjustments and taxes, reached USD 99.5 million. Production capacity utilisation greatly imroved.
Biggest sales increase in industrial sector, particularly in the energy field and shipbuilding. Considerable increase also in food industry. Sales to agriculture somewhat reduced owing to restrictions in some European countries. Alfa-Laval Group comprises some 80 companies totalling 45 factories in 30 countries. Sales representation in 120 countries. 18,000 employees.
Main sales outlets: Farming, and Industry: food, chemical, power, shipbuilding. World product leaders in centrifugal separators, compact heat exchangers, marine refrigeration systems, and milking machines.




Electrolux is one of Sweden's largest industrial groups. Its sales in 1980 were worth close on SKr23bn and its results after financial items were SKr1,003m. More than 100,000 people are employed by the Group, 40,000 of them in Sweden. Electrolux is one of the world's leading producers of vacuum-cleaners, household appliances and power saws. Commercial cleaning service is a rapidly growing line of business in Sweden and abroad. Other prominent branches of activity are catering equipment, agricultural machinery and office products. With the acquisition of Granges in 1980, the Group's business now includes metal production and contracting as well.



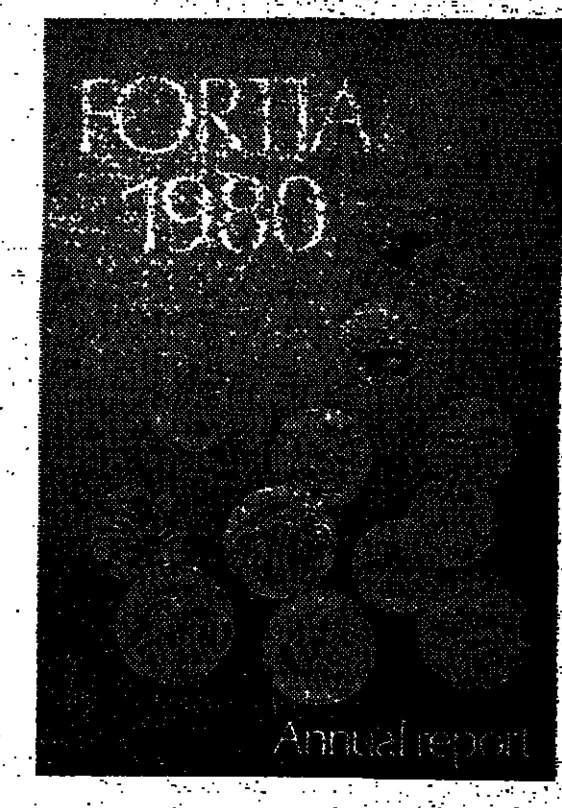
Saab-Scania has earned its international reputation for sound engineering, technological innovation and high standards of manufacture. With 40,000 employees Saab-Scania is one of Scandinavia's largest industrial groups. In 1980 Saab-Scania continued to focus its efforts on technologically advanced products. A number of significant product innovations were introduced: a new generation of Scania trucks for heavy loads, a Sedan model in the Saab 900 series, the Saab-Fairchild 340 commuter aircraft, the Viking research satellite. Sales rose to SEK 13,989m of which 55% on foreign markets. Income before extraordinary income and expenses amounted to SEK 970m (961).


Swedish State Company is the parent company of a group of companies owned by the Swedish state. Net sales in 1980 were some £1.4 billion, of which 50% were sales abroad. The Group is active in industries such as iron/steel, pharmaceuticals, forest products, engineering etc. The Group's capital expenditure in 1980 amounted to £233.4 million—equivalent to 13% of Sweden's total industrial investment.
In 1980, the consolidated result before year-end appropriations and taxes was £40.2 million. The Group has some 46,400 employees

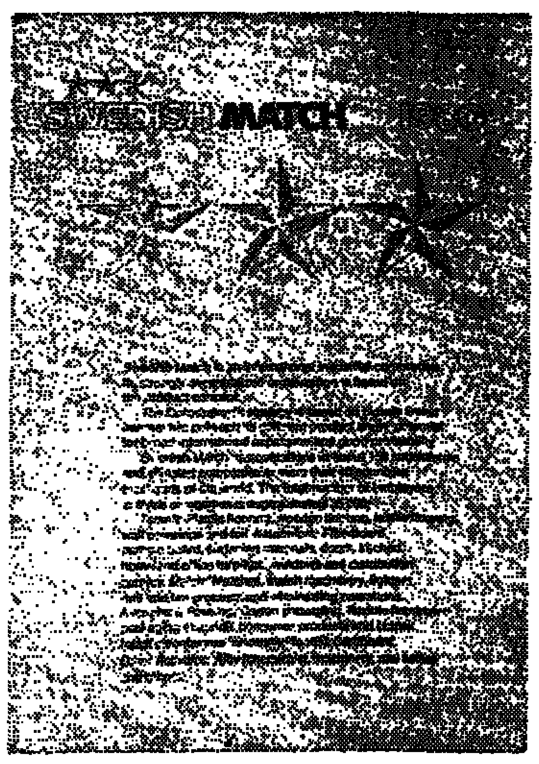

THE BAHCO GROUP
Founded in 1892 in Sweden. Among the world leaders within their main areas of activity:
—Automation and mechanisation: pneumatic and hydraulic equipment, control systems
—Hand and power tools
—Products, systems for air treatment
Invoiced sales increased by 26% to SEK 1,222 million. A strong expansion is foreseen for 1981—partly through acquisitions—which will roughly double these figures.
Number of employees: 5,106.


Let's get the Swedish industry in focus again! Capital expenditures have been low for several years in a row. But that doesn't apply to Volvo, which invested SEK 4 billion in property, plant and equipment during the years 1977 through 1980. The year's investment programme was larger than that of any previous year.
Volvo strengthened its position among the world's manufacturers of transport vehicles. Our programme in the field of energy continued.
In ever stiffer competition, we held our share of the market for passenger cars—and improved our positions in other product areas.
In 1981 we expect to invest close to SEK 2 billion in Volvo's future.

| VOLVO 1980 | |
|---|---|
| Employees | 63,900 |
| Stockholders | 125,000 |
| Sales | SEK 23,803 million |
| Income before allocations and taxes | SEK 1,007 million |




The Fortia Group's competence in biotechnology enables its three Pharmacia companies based in Uppsala, Sweden, to produce pharmaceutical, diagnostic and separation products for the International Market.
Pioneering research by Nobel Prize winner Tiselius at Uppsala University laid the foundation for joint development with Pharmacia which resulted in unique products such as Sephadex R for biochemical separations and Cytodex R for cell culture which revolutionises production of interferon, vaccines, etc.
Pharmacia Pharmaceuticals is a world leader with a gastroenterological preparation and pioneered the use of synthetic blood replacement media.
Pharmacia Diagnostics developed immunochemistry towards routine applications by hospital laboratories for the diagnosis of allergy and hormonal disorders.
A commtiment to resarch and widespread collaboration with academic researchers enables Fortia to expect substantial future growth for Pharmacia business.




Swedish Match is an international industrial corporation.
Its strongly decentralised organisation is based on the product concept.
The Corporation's strategy is based on closely linked internal ties between its different product areas, potential for broad international expansion and good profitability. Swedish Match operates through about 150 subsidiaries and partly owned companies in some 40 countries throughout the world, with about 35,000 employees. Sales in 1980 amounted to SEK 6,486m.
Tarkett: flooring and wall coverings;
Katrinefors: building products and furniture;
Match: matches, match machinery, lighters, grill and other fire products;
Akerlund & Rausing: packaging and packaging systems;
Cardboard;
Other Activities: chemicals and others.


AGA is one of the leading gas companies in the world with production in 21 countries in West Europe, Latin America and in the USA. The principal products are the atmospheric gases oxygen, nitrogen and argon and the combustible gas acetylene. The gas business in 1980 accounted for more than half of the sales of the AGA Group, which totalled SEK 4,600 million. The remainder is from the subsidiaries Frigoscandia, Pharos and CTC. The AGA Group income before non-recurring items, year-end provisions and taxes increased by 19% to SEK 360 million in 1980. The return on total assets was 11.8%. Calculated net income per share was SEK 23.
The investments in property, plant and equipment were SEK 574 million, of which SEK 418 million was in the Gas operations.

*Please send me the following Annual Reports*

☐ Volvo
☐ Statsforetag (Swedish State Co.)
☐ Electrolux
☐ Bahco
☐ SCA
☐ Alfa-Laval
☐ AGA
☐ Swedish Match
☐ Saab-Scania
☐ Fortia

NAME..................................................

POSITION..................................................

COMPANY..................................................

ADDRESS..................................................

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*To: Nicholas Whitehead*
*Financial Times*
*Bracken House*
*10 Cannon Street*
*London EC4P 4BY*

**Jason Crisp** reports that microchip manufacturers are struggling in the face of the world recession and high interest rates

# Microchips: down but by no means out

THE MANUFACTURERS of microchips, the driving force behind the new revolution in telecommunications and computer technologies, are dazed from the bruising they are receiving in the current world recession.

Some semiconductor manufacturers have seen profits sliced nearly as thin as a silicon chip, others have seen revenues fall as their prices have been cut and cut again. Several are shutting their plants for periods this summer.

The problems have been most severe for the makers of "mass market" chips like Texas Instruments, Intel, Mostek and National Semiconductor. Smaller, more specialised chip makers have also not escaped unscathed.

But at the same time a huge capital investment programme is continuing as companies build up capacity for the boom they all hope is round the corner. This is straining finances to the limit.

What has happened? First there is an enormous excess of capacity which has come on stream over the past 18 months. This extra capacity, primarily installed by the U.S. and Japanese semiconductor giants, was installed following the great shortage of microchips between 1976 and the middle of last year.

At the time of the last slump in the semiconductor industry in 1975 all the U.S. companies slashed capital investment programmes and staffing levels and this left them unable to meet the boom in demand when the market picked up again.

The second problem is that semiconductor manufacturers have been hit by the world recession (particularly in Europe) and by high interest rates (particularly in the U.S.).

Computer manufacturers still suck in vast quantities of microchips but a number are facing problems, such as the U.S. company Burroughs and Britain's ICL. Still computers remain a growth area—notably for the makers of minicomputers like Nixdorf in Germany and Digital Equipment in the U.S. However some companies are delaying their purchases of more expensive systems. And there has been significant destocking of components.

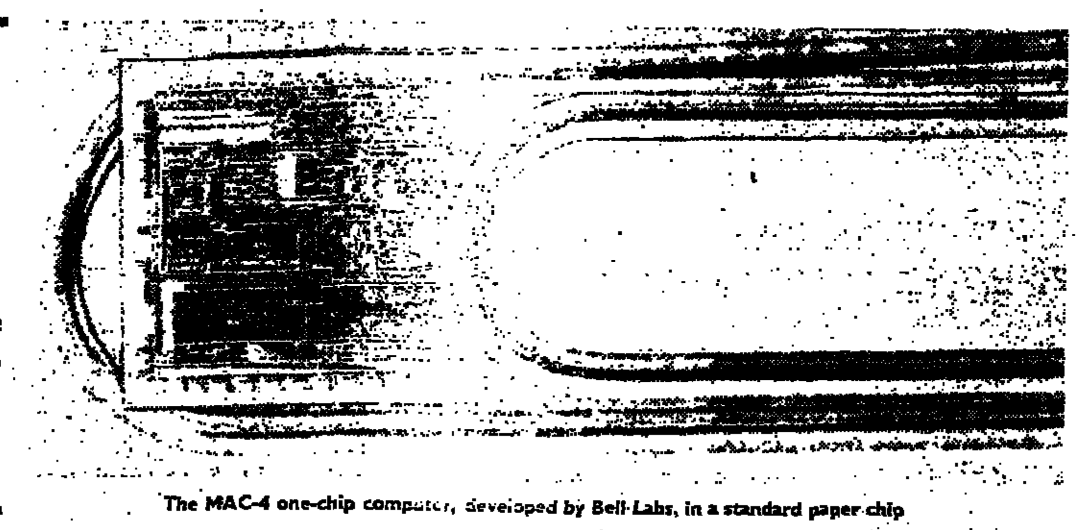
Demand for microchips from the telecommunications and defence industries has remained fairly strong but it is not growing as fast as the chipmakers would like. Hardest hit by the recession has been demand for consumer products containing electronics, from televisions and radios, hi-fi equipment and video to sophisticated washing machines and micro-chip controlled hairdriers.

But it is not so much that demand has fallen, rather that the phenomenal growth in it has slowed down. And this hurts the manufacturers because they are totally geared to expanding at growth rates of 25, 30 per cent or more, which have been normal for most of the 1970s. Furthermore they need the growth to finance the ever greater cost of developing new generations of products that cram even more electronic components like transistors on to a chip.

The third problem is an inevitable consequence of the second: excess capacity has sparked a ferocious price war.

The average price of 16K RAM memory used in almost every product in which a microprocessor is to be found, in February last year was $5.38 and by February this year it was $3.82 acording to the U.S. Semiconductor Industry Association (SIA). But today no one would expect to pay more than $1.50 for it.

**Texas Instruments, the major U.S. microchip manufacturer, yesterday cut its British workforce by 150, part of its worldwide cutback of 2,800 jobs. This is further evidence that the mass market chip makers are being particularly hard hit in the current recession.**



The MAC-4 one-chip computer, developed by Bell Labs, in a standard paper chip

The effect of this is well illustrated by the first quarter results from Intel, one of the the U.S. which has boasted the highest margins in the industry. In the first quarter of 1981 its profits plummeted from $24.1m to $2.1m on sales which fell from $203.9m in the first quarter of 1980 to $184.6m this year.

The fall in revenues obviously exacerbates the fourth probem: how to pay for the heavy investment needed to move into the next generation of equipment. The U.S. manufacturers are acutely aware of what happened last time they cut investment: when the boom came so did the Japanese.

While Japanese sales in the key U.S. markets were minimal in 1975 they are now estimated at 7 per cent by the SIA. But for certain products it is much higher. For instance the Japanese now have 40 per cent of the market for 16K/RAMS which are consumed in great quantities by computer markers. There are considerable fears in the U.S. that the Japanese will have an even bigger share of the next generation of memory chip, the 64K which can store four times as much information as the 16K.

Equally worrying for the chip makers is that as each generation of equipment gets more expensive it also lasts less long before it is out of date. A recent study by the SIA found that the average U.S. semiconductor company has to spend 28 per cent of sales revenue capital on investment and research.

The research element has remained more or less constant throughout the last decade at 7 per cent of sales. But capital investment has risen from 12 per cent in 1970 to 21 per cent. And the average age of installed equipment to make the chips has been falling steadily to 4.4 years, 20 per cent less than in 1975.

The rapidly rising cost of investing in microchip fabrication has made it increasingly hard for new companies to enter the field to make the mass-produced chips which go into a diverse a range of products from computers to pocket calculators and electronic games like Space Invaders.

Inmos, the British attempt to break into the mass chip market has needed £50m government investment through the National Enterprise Board and a further £35m in loans. As the expense of installing equipment to make the microchips rises so it becomes harder for new companies to enter the mass market.

The market for so-called custom-built chips is somewhat different. Here several European companies—like Ferranti, GEC and Plessey in Britain, Siemens and Bosch in West Germany and SGS-Ates in Italy—have formed a niche in the market not served by the mass-market chip makers. But how secure this niche is remains to be seen.

The major U.S. and Japanese chip manufacturers have for some time been making microchips in different centres around the world including the Far East and Europe. But in general the technology developed and used in Europe by American and Japanese companies is some way behind the "state of the art" technologies used in the home countries.

The effect of the present problems of the semiconductor industry in the U.S. has been considerable.

Texas Instruments, (TI) the world's largest vendor of microchips recently announced it had cut its U.S. workforce by 2,800 (3 per cent) and was dropping several product lines. Yesterday it also cut its British workforce.

One of the products TI dropped was magnetic bubble memories, a rugged memory device which has proved difficult to produce in quantity at the right price. TI invested between $50 and $100m, over a ten year period.

National Semiconductor, with a reputation for being the meanest and toughest company in a ferociously competitive industry, has not escaped unscathed with earnings in the third quarter fiscal 1981 falling from $12.4m last year to $7.3m.

Signetics, the U.S. microchip subsidiary of Philips, the Dutch electricals giant and probably the largest European producer and consumer of microchips, has just announced it is shutting its factory in Sunnyvale, California for 10 working days this summer. Another leading U.S. semiconductor manufacturer Advanced Micro Devices has also announced plant shutdowns in the summer.

But none of this means that this is the end of the boom in microelectronics. There is broad agreement in the industry that it is only a hiccup even though it is bigger and nastier than expected.

And the industry's reaction differs in two ways from the 1975 slump. First, the level of redundancies is lower, partly because of the great difficulty in rehiring staff in boom times. Skilled engineers may have to be paid a "signing bonus" to lure them to join a company in addition to high salaries.

The other significant difference is that capital expenditure has not been slashed this time. The SIA estimates that capital expenditure and research is continuing at "very aggressive levels." There has been some holding back on facilities where the lead times are shorter, but the building of factories has continued unabated.

There are also some signs that the U.S. market is just beginning to pick up. One of the key ratios is "bookings to billings"—this crept over one-to-one in May for the first time since June last year.

A number of companies say they expect the U.S. market to recover in the last quarter of this year. There is still much pessimism about Europe particularly because of the state of the UK and German economies. Manufacturers report that France, up until now very strong because of the great Government expenditures on information technology, is also somewhat uncertain because of the elections of a socialist Government.

Semiconductor manufacturers are convinced that there are a number of areas which will bring massive growth and justify the current investments in increased capacity. These include:

- Office automation which is expected to become one of the major growth areas as big companies install sophisticated communications and dataprocessing equipment.
- Telecommunications, already a large consumer of semiconductors, and expected to grow strongly as countries throughout Europe throw out their ancient electromechanical exchanges and replace them with sophisticated electronic ones which resemble computers.
- The car industry, also one of the foremost areas for the future.

In the U.S. where there are strict laws on exhaust emission there is already widespread use of computerised engine control systems. General Motors boasts it is the largest computer manufacturer in the world as every petrol engined car now has a microcomputer controlled engine management system.

- Consumer products of all kinds from washing machines and televisions to microchip controlled home security systems. This market is expected to continue to grow, but at a slower rate than heretofore.
- Industrial applications particularly as robots become more widely used.

As one manufacturer put it: "We can see the light at the end of the tunnel all right but we still can't make out how long the tunnel is yet."

# Letters to the Editor

## Comparative productivity

*From the Director General, The Confederation of British Industry*

Sir,—It is a pity that your correspondent (Mr Geoffrey Mills, June 11) does not direct his undoubted powers of effective communication to Britain's *current* situation rather than a summing up of recent history, pungent though that is.

There is very little in his catalogue of comparisons between Britain and Japan and West Germany over the last 15 years—comparative productivity, share of world trade and so on—which I or any member of the CBI would disagree with. Over this period their pay increases have been much lower than ours, while their productivity has been much higher. As a result the labour costs per unit of output have increased nowhere near as fast as ours. It is because they have been effective in managing their real economies that these countries have been able to succeed in the way Mr Mills describes and the exchange level of their currencies is a reflection of that success. Partly because of what Mr Mills refers to as the "major miracles" of North Sea oil and gas sterling has appreciated since the end of 1976.

Combined with our excessive pay settlements and poor productivity this has meant a frightening loss in our international competitiveness—since the end of 1976 the unit labour costs of our manufactures in world markets have increased by over 50 per cent more than our competitors.

The efforts of the CBI, starting as we unfortunately have to from this difficult position, are directed towards creating a climate in which British industry can emulate the kind of success enjoyed by Japan and West German. For this, as we make clear in our policy document, "The Will to Win," we need action and co-operation over a wide field by Government, trades unions and management to step up productivity and restore our loss in competitiveness. We also, perhaps above all, need realistic pay settlements. A lower exchange rate for the pound now against the "basket" of foreign currencies which covers the major share of our trade would be a more genuine reflection of our real economy. We have to make ourselves more efficient — we are not arguing for a return to the soft option of continually bailing out excessive pay settlements by devaluation, but we do not believe it is in our interest to try to commit ourselves to competing in foreign markets with an artificially inflated economy.

(Sir) Terence Beckett.
*Centre Point,*
*103, New Oxford Street, WC1.*

## Advice to small businesses

*From Mr Simon Greenly.*

Sir, — The role of auditor in adding small firms is a debatable one, as Mr Partridge suggests (June 12). The key question is, are they indeed uniquely placed to provide these companies with the advice on financial analysis and formulation of strategy?

As advisers to smaller companies, it is our experience that it is asking the impossible to expect the same person to carry out a watch-dog role as auditor, and at the same time take the initiative by offering business advice with the risks inherent in doing so. This requires mental gymnastics beyond the scope of most of us. Additionally, accountancy firms (particularly those likely to be used by small business) find they have their work cut out just keeping abreast of change in both practice and law, effecting their traditional auditing and tax function.

As a nation we have failed significantly to breed a body of men trained in finance with substantial first-hand commercial and industrial experience. New entrants have turned down industry in favour of the professions for reasons of social status—and that offers no hope at all.

Simon Greenly.
*Stafford Robert and Partners,*
*354, Fulham Road, SW10.*

## Missiles in Lebanon

*From the Chargé d'Affaires, Embassy of the Syrian Arab Republic*

Sir,—The report of your correspondent, Anthony McDermott, entitled "Saudis back Habib Mission," which was published in your issue of May 29 is both misleading and far from being objective. We would have not undertaken to correct you, had not the statement been attributed to His Excellency Farouk Al-Shar'a, the Syrian Minister of State for Foreign Affairs. The conclusion Mr. McDermott reached was incompatible with the spirit of the interview which took place between the Minister and him, and contrary to the statements given to Mr McDermott. Mr Al-Shar'a, as the records of the interview prove, maintained that the Saudis have many reasons to back the Syrian stand on the so-called "Missiles crisis in Lebanon." These reasons, which were explained by the Minister, were entirely neglected in the Financial Times report.

Mr Al-Shar'a stated that Saudi Arabia, as an Arab country bordering Israel, is bound to be affected by Israel's expansionist policy, which constitutes a real threat to the security of Saudi Arabia, no less in degree than the threat to the security of Syria.

The persistent Israeli intervention in the internal affairs of Lebanon, coupled with Begin's extortionist demands of a sovereign Arab state, and his attempts to dictate to it how to behave, have caused Saudi Arabia and other Arab states a lot of concern and alarm. Any silence vis-a-vis the Israeli demands would have only resulted in legitimising Israel's intervention and violation of the sovereignty of an Arab state.

In his three visits to Syria, Mr Habib submitted nothing but Israel's demands which were naturally, rejected by Syria as they constitute a violation of Lebanon's and Syria's independence and sovereignty.

Arabs are unanimous in condemning the Israeli intervention in the internal affairs of Lebanon. Saudi efforts concentrated on bringing an end to this flagrant Israeli intervention.

As for the presence of the Arab deterrent force in Lebanon, it took place at the request of the legitimate Lebanese Government, this request which was endorsed by the Arab League. The Arab peace-keeping force has the full right to safeguard Lebanon's independence, unity and sovereignty.

It ought to be noted that top Saudi officials have made frequent statements to this effect, supporting the Syrian stand and condemning the Israeli aggressive policies.

Zouheir Namani.
*8, Belgrave Square, SW1.*

## Work for the worker

*From Dr W. P. Grant.*

Sir,—Your editorial (June 12) about the rather neglected report by the Public Accounts Committee on the cost effectiveness of regional policy is to be welcomed, if only because it re-opens the debate on this important subject. One of the difficulties that arises in discussing this question is the lack of clarity surrounding the objectives of economic policy. One of the merits of Judith Marquand's study for the Government Economic Service is that it draws attention to the fact that, whereas employment objectives have been the implicit dynamic of regional policy, they are only explicitly recognised in Section 7 aid. Hence, large sums of money have been given to capital-intensive projects which would have probably located in the same place anyway. Although the importance of the stability of a regime of investment incentives was stressed in evidence to the committee, as the final report notes, "the desire for a stable system should not stand in the way of changes when the need for these is demonstrated."

What is needed is a debate about the relative merits of location specific and industry (or technology) specific industrial policies; and, given the inevitability of some form of regional policy, a dispassionate assessment of the relative merits of "worker to the work" and "work to the worker" policies. Only then can we distinguish between those policies which are genuinely cost effective and those which reflect the character of the UK political system.

W. P. Grant,
*194 Rugby Road, Leamington.*

## Shennanigans at Lloyd's

*From Mr. Anthony O. R. Mitchley.*

Sir,—The Committee procedures involved in the passage of the Lloyd's Bill through Parliament seem to raise more questions than they answer.

How is it that 80 per cent of the membership of Lloyd's, who provide the bulk of the capital necessary to support this valuable industry, should only have eight representatives on a council of 28 members?

Why should the Society of Lloyd's enjoy almost complete immunity from actions for negligence at the suit of its members who themselves have unlimited liability when such immunity is not enjoyed by similar institutions such as The Law Society, The Stock Exchange and The General Medical Council?

Why was the solemn undertaking given by Sir Graham Page during the second reading debate in parliament that the immunity clause 11 in The Bill would be withdrawn, not honoured?

Why does the public interest demand that members of Lloyd's be required to change their agents, who represent them in their insurance business in the market, to a names agent who is completely divorced from that member's underwriting business for which the member is liable to his last penny? Is not the whole expensive and complicated procedure which requires that amendments be returned to the whole of the membership of Lloyd's andp laces the decision making power in the hands of a small committee with little or no business or insurance experience itself in need of reform?

Surely the public interest demands that the Lloyd's Bill be made as near perfect as possible and that there should be reasonable protection as well as freedom of choice for the members of Lloyd's who have created this most valuable of institutions by guaranteeing unlimited liability the risks they insure—a liability which is not accepted or required in any other business area.

Surely Parliament should be closely concerned in supporting and strengthening this unique institution.

Anthony O. R. Mitchley,
Deputy Chairman,
*The Association of External Members of Lloyd's,*
*15, Bryanston Square, W.1.*

## Japanese quality circles

*From Mr D. Wallace Bell.*

Sir, — Christopher Lorenz rightly draws attention to the Japanese view that Japan's continuing increase in manufacturing productivity cannot be attributed to quality circles alone (Management Page, June 9). A group of 20 British industrialists from this association who recently visited Japan concluded that Japan's success stems from three things: an industrial strategy at both company and national levels geared to ever increasing exports and opening up new markets; management's objective of growth rather than short term profit; and workforce commitment.

In most of the large firms we visited, quality circles had been introduced some 15 years ago more to provide a sense of involvement on the shop floor, than for any actual improvements in productivity it was thought might result from them, and they are still regarded in that light. Previously in Japan, as still commonly in the UK, whatever employee participation existed was largely at second hand through union or other representatives. Whatever else the small group activities have achieved (and most Japanese companies no longer call them quality circles), they have certainly brought participation right down to the shop floor. Everyone is involved in relation to his own job and his own immediate area, which is what most employees everywhere are interested in, and where they can make the most contribution.

It is, I think, from this point of view that small group activities or quality circles should also be approached in British companies.

D. Wallace Bell,
Director, Industrial Participation Association,
*78 Buckingham Gate,*
*London, SW1.*

# Today's Events

UK: Special cabinet meeting to discuss economic strategy.

Mr. Zenko Suzuki, Japanese Prime Minister, meets Mrs Margaret Thatcher, London.

Mr Peter Walker, Agriculture Minister, at Associated British Foods conference to announce new capital investment programme, London.

Sir Michael Edwards, BL chairman, speaks at American Chamber of Commerce lunch, Hilton Hotel, London.

Overseas: European Parliament discusses budget contributions and expenditure, Strasbourg.

Association of South East Asian Nations Foreign Ministers meet in Manila.

Prince Charles attends Royal Ballet 50th anniversary gala performance of "Sleeping Beauty," New York.

**PARLIAMENTARY BUSINESS**

See Parliamentary News on page 10.

**OFFICIAL STATISTICS**

April provisional index of industrial production. Department of Employment publishes April indices of average earnings, and May indices of basic rates of wages.

**COMPANY MEETINGS**

BAT Industries, St John's, Smith Square, Westminster, SW, 12.00. Blockleys, Edgbaston House, Walker Street, Wellington, Telford, Salop, 12.00. British-Borneo Petroleum Syndicate, Winchester House, 100 Old Broad Street, EC, 12.00. City of Oxford Investment Trust, 41 Bishopsgate, EC, 12.00. Hawker Siddeley, Dorchester Hotel, Park Lane, W, 12.00. Hawtin, Metropole Hotel, Blackpool, 2.30. Hoskins and Horton, Midland Hotel, New Street, Birmingham, 3.00. John Lewis, 4 Old Cavendish Street, W, 12.30. John Mowlem Westgate House, Ealing Road, Brentford, Middx., 10.30. Myson Group, Abercorn Rooms, Great Eastern Hotel, Bishopsgate, EC, 11.00. Parambe, 15 Christopher Street, EC, 12.30. Richardsons Westgarth, Royal Westminster Hotel, Buckingham Palace Road, SW, 12.00. Securities Trust of Scotland, 29 Charlotte Square, Edinburgh, 12.00. Smith St Aubyn, White Lion Court, Cornhill, EC, 12.00. Sunderland and South Shields Water, 29 John Street, Sunderland, Tyne and Wear, 12.00.

# Trident TV lower midway but sees earnings pick-up

FIRST-HALF pre-tax profits of Trident Television fell from £5.17m to £4.26m, and Mr Ward Thomas, chairman, warns that the full year figure is likely to fall short of last year's £9.13m.

Other factors, however, including the release of deferred tax, will result in substantially increased yearly earnings, he adds.

For the six months to March 31 1981 attributable earnings amounted to £2.18m (£2.29m) and the interim dividend is held at 1.26p net. *Last year's total* payment was 4p.

Pre-tax profit for the first half was struck after a provision of £6.44m for Exchequer Levy. The surplus broke down as to £4.13m (£4.9m) for television contracting and £132,000 (£263,000) for other activities.

Tax took £3.45m (£2.83m) and there were unrealised exchange gains of £369,000 (£54,000 loss).

Mr Thomas reports that the half year was overshadowed by the IBA's decision that Trident should cease to control its two television subsidiaries. Yorkshire and Tyne Tees. Directors' energies have been largely directed towards arriving at a solution which meets the Authority's requirements but also minimises the potentially damaging effect on shareholders.

Proposals for the divestment of Yorkshire and Tyne Tees have *now been formulated and will* be put before holders at an EGM.

First-half advertising revenue held up better than expected, says Mr Thomas. The corresponding period last year was one of unusual growth following the *ITV strike but the six months* under review saw advertising levels increase by 10 per cent.

On the other hand Trident, in common with other television companies, is now bearing the full brunt of the wage settlements which brought the dispute to a close, and as a result the company is experiencing a *marked increase* in *operating* costs which have more than absorbed the improvement in revenue.

The uncertainties and distractions arising from the contract renewal process caused a number of companies to defer and *curtail* their programme making activities. This has directly affected Watts and Corry, the group's scenery making subsidiary.

## HIGHLIGHTS

The Lex column looks at the latest developments in the **Berisford/British Sugar** battle which comes nearer to a dramatic climax. Lex then surveys the latest from **Sony** where *profits are slightly down for the six months because of the* higher value of the Yen and slack domestic demand. The market is expecting roughly maintained profits for the year. At home **Trident TV** reveals details of its plans for divestment and outlines the group's future direction. Finally Lex comments on the annual accounts from **Associated British Foods.** On the inside pages there is comment on the collapse of profits *at* **International Timber.** *On the issue news front* **Property Holdings** pops up with a £10m convertible.

Lex, Back Page

# BAe on *target* for 1981

AT THE annual meeting, Sir Austin William Pearce, chairman of British Aerospace, told members the company was in good shape and on target to meet the objectives set in the prospectus.

The group was currently running a bit ahead of programme, but the chairman said there was *still quite a lot of the year to* go. "I am, however, quietly optimistic."

The order book was ahead of last year, and continued to grow, he added.

In the prospectus last February the directors forecast that pre-tax profits for 1981 would be similar to the £52.8m last year, and that the dividend would amount to 7.8p, of which 3p would be an interim.

At the meeting Sir Austin stated that the company was very much involved in the development of the new Airbus single aisle 150 seater, but that no commitments had yet been made.

The directors hoped to sell the Hawk into the U.S., as an advanced trainer, and build on the successful past relationship with Saudia Arabia.

There were currently 12 firm orders for the recently-launched BAe 146 feeder liner, he pointed out, whereas the company's original target had been a total of 12 orders or options by this *time, or 24 orders for the full* year.

He said that he hoped the company would be able to obtain extra work refurbishing older BAC 111 aircraft, while customers awaited delivery of their BAe 146 craft.

## BELLAIR

The first half-year figures of Bellair Cosmetics covered the period to April 30, 1981, not to end-January as reported yesterday.

## YEARLINGS SLIP

The interest rate for this week's issue of local authority bonds is 13¾ per cent, down ⅛ of a percentage point from last week. The bonds are issued at par and are redeemable on June 23 1982.

A full list of issues will be published in tomorrow's edition.

# Butterfield-Harvey moves into £2.7m loss

AS FORESHADOWED in the interim statement Butterfield-Harvey traded at a loss in the second six months and for the year as a whole, to March 28 1981, the group plunged into the red, incurring a pre-tax deficit of £2.68m, compared with a profit of *£1.26m* the *previous* year.

In the midyear statement the directors warned that the full effects of the costs of the company's programme to eliminate all the loss-making activities by the end of the year would be felt in the second six months. They added that the order position and current level of demand was such that sufficient sales could not be generated in the remaining months of the year to achieve *an overall profit.*

Interim pre-tax profits were £34,000 higher at £145,000.

For the current year the directors are confident of a return to profit. They say the group is now more efficient and can, in their opinion, achieve a profit even at the depressed level of sales.

They explain that when the group's increasing selling effort is combined with an improving economic climate it is expected to generate substantial profits with which to help finance expansion by indigenous growth and acquisition.

The directors consider that the total costs of the actions taken have been covered fully in 1980/81 and that no further write-offs will arise in coming years as a result of these decisions.

In the light of the restructuring achieved and the outlook for the future the directors are recommending a final dividend of 1p net (1.5p). The interim was omitted (1.3p).

*Turnover for the year* of this holding company declined from £58.61m to *£54.87m*, including discontinued activities which amounted to £4.16m.

There was a trading loss of £411,000 (£1.9m profit) including £533,000 loss of discontinued activities.

The group's workforce was reduced during the year from 2,950 to 1,850 and redundancy costs totalled £853,000 (nil).

The pre-tax loss was after the redundancy charge, higher *interest of* £1.28m (£990,000) and included an associate loss of £131,000 (£346,000 profit).

There was a tax credit this time of £94,000 (£270,000 charge) and extraordinary debits of £1.86m (£269,000), including £1.46m for the programme of *disposal and divestment* completed at year-end.

There was a stated loss per 25p share of 17.9p, against earnings of 7p.

Current cost accounting increases the taxable loss to £4.31m (£1.3m loss) and on the same basis there was a loss per share of 29.3p (10.7p).

The directors point out that in spite of the year's trading losses, the costs of restructuring and the continuation of the group's investment programme borrowing increased by only £2.5m, increasing the ratio of borrowings to shareholders' funds from 41 per cent to 73 per cent. No further borrowings are foreseen in 1981/82 in relation to the ongoing businesses.

Since the end of the financial *year the group's remaining* disposable property at Greenwich has been sold for £1.8m.

### ● comment

Even the continuing businesses in Butterfield-Harvey had a dismal year, generating trading profits of only £122,000 on over £50m of sales. The seven subsidiaries which have been closed, sold or absorbed dragged the whole group into loss at the basic trading level. Butterfield has braced itself to eliminate loss-makers, and written-off a total £2.7m in closure and reorganisation costs. Borrowings peaked at about £9.9m — a figure which stands to be reduced when the £1.8m proceeds of the Greenwich disposal are received this *month.* The cost savings achieved will be considerable; the 850 redundancies in ongoing operations could be worth around £5m. The difficulty is to estimate the current year's revenue, even given long order books at Shelvoke and Drewry, the *builder of dustcarts* and aircraft loaders. Butterfield's decision to pay a dividend of 1p (making for a far from negligible 5.6 per cent yield) helped the market take a bullish view, and the *shares* climbed 4½p to 28p.

# Alliance Inv. rises to £0.97m

PRE-TAX revenue of the Alliance Investment Company improved from £803,835 to £968,189 in the 12 months to April 30 1981 and the total dividend is being stepped up by 0.4p to 5.4p net with a final of 3.4p—last year's payment included a special non-recurring dividend of 0.3p.

A scrip issue on a one-for-one basis is also proposed.

Gross income rose to £1.88m (£1.43m) with unfranked income showing a jump from £701,252 to £1.12m.

The taxable figure was after management expenses and interest charges of £913,792, compared with £527,537.

Tax took £332,560 (£390,364) and after preference dividends of £25,200 (same) and ordinary dividend payments of £601,956 *(£557,366)* the retained profit emerged at £8,473 (£11,905).

Stated earnings per 25p share were higher at 5.48p (5.11p).

Shareholders' funds are given as £28.75m (£17.1m) and net asset value per share at 257.9p (153.4p) after prior charges at nominal value and at 262p (158.3p) after prior charges at market value — an increase of 66 per cent over the year.

# Bradford Property advances

*Pre-tax profits of* Bradford Property Trust advanced from £5.43m to £6.9m in the year to April 5 1981 and the net dividend is stepped up from 3.25p to 4p with a final of 2.3p.

Earnings per 25p share are up from 11.37p to 15.02p after tax of £3.22m (£2.68m).

The pre-tax profit comprised property rentals £1.98m (£1.8m), dealing £4.31m (£3.39m), investment £86,052 (£99,223) and other income £577,149 (£172,870), and was struck after associates' losses *of £47,653 (£33,148).*

# Crest Nicholson interim rise

*ON TURNOVER up from* £21.35m to £23.97m, taxable profits of Crest Nicholson moved ahead to £2.22m for the *six months* ended April 30 1981, against £1.91m.

The directors say results confirm that the company is well placed to achieve its long term plans for further growth, as well as being confident of showing *significant expansion in the* current year.

The interim dividend is increased to 2.3p (2p) net per 10p share—last year's final payment was 2.6p paid from a pre-tax surplus of £5.42m. Also proposed is a one-for-one scrip issue, which gives an effective interim dividend rate of 1.15p.

Mr D. L. Donne, chairman, says that profitability was in line with expectations in the property division, and the market continues "at an acceptable if unexciting level."

After tax of £955,000 (£995,000) earnings are shown as 6.1p (5.6p) per share—fully taxed they are given as down from 5.6p to 5.2p.

### ● comment

*Crest's slight halftime increase* in margins probably owes more to the elimination of boatbuilding turnover (and slight losses) than to any significant upturn in the mainstream level of profitability. But profits are keeping within sight of at least previous growth rates with a pre-tax advance of 16 per cent and the interim dividend has been raised by 15 per cent. The shares added 9p yesterday to 170p which was largely induced by the cosmetic of a one-for-one scrip. Assuming a similar rate of dividend rise at the final, the prospective yield would be 4.5 per cent. All divisions, with the notable exception of the Sharron jewellery business, are ploughing on satisfactorily through the recession and the confinement of the group's *investment solely to current* assets is plainly proving its worth. The outcome of the remainder of the year is difficult to predict. The usual pattern is a 40:60 split in favour of the second six months but, conservatively assuming a repeat of fully taxed earnings in the May-October period last year, the maximum p/e of 12.8 is no more than a reasonable reflection of a progressive track record.

# MK Electric falls to £5.59m

THE GENERAL level of demand for products at MK Electric Holdings did not improve in the second half—profits were down virtually £1m from £3.51m to £2.53m—and for the full year, ended March 28 1981, the taxable surplus of this electric plugs and sockets maker fell to £5.59m, *against £7.15m.*

Manufacturing activity at MK Electric, the principal subsidiary, was reduced in line with market demand by reintroduction of a four-day working week, but the Ega plastic conduit and trunking activities continue to thrive, the directors state.

Group turnover for the year moved ahead from £65.6m to £71.32m and the pre-tax figure was struc kafter much higher interest charges of £1.91m, compared with £1.24m.

Earnings per 25p share are stated at 26.37p (40.16p), but the dividend total is maintained at 12p net with an unchanged final of 7p.

After tax of £1.55m (£960,000) and minority interests of £25,000 against £82,000, the attributable balance was £4.01m (£6.11m) of which dividends will absorb £1.83m (same). The retained surplus was virtually halved at £2.19m (£4.28m).

On a CCA adjusted basis the pre-tax figure for 1980-81 is reduced to *£3.66m (£3.74m).*

### ● comment

MK Electric has something over two-fifths of the UK market for electrical accessories, a share which it would be difficult, and expensive, to increase. It is a highly mature market, where growth cannot be achieved just by hanging on to market share. MK's 1977 purchase of Ega, bringing in a complementary range of plastic conduits and trunking, *has been successful as a broadening* manoeuvre without enabling MK to do more than keep roughly level in earnings-per-share terms. The value of Ega has been seen in a 20 per cent profit rise this year, when profits in the original MK business were falling by a quarter, re-emphasising that its market is cyclical as well as mature. There is sales growth overseas, but not enough to obscure the domestic pattern. Even in the cyclical trough, there has been enough refurbishment *business for profits to have held* up reasonably well, and slower inflation has allowed current cost cover to remain intact. At 227p (up 7p) the shares yield 7.8 per cent and the fully-taxed p/e of 12½ makes no demands.

# Marginal decline for Bankers Investment Tst.

In the year to April 30, 1981 the Bankers Investment Trust slipped from a net revenue after tax of £1.57m to £1.52m.

This was struck after expenses and interest of £210,013 (£178,409), and included special *non-recurring income of £260,978,* while tax took £746,959 (£798,819). The earnings per 25p share are stated at 3.809p (3.919p), and the net asset value per share at 107.9p (79.3p).

The final dividend is set at 1.98p (2.21p) net per ordinary share — including a same again special payment of 0.47p — making a total of 3.78p (3.86p). The directors are proposing to increase each of the interim dividends payable in November 1981, February 1982 and May 1982 to 0.65p (0.6p).

## DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corre-sponding div. | Total for year | Total last year |
|---|---|---|---|---|---|
| Alliance Inv. Tst. | 3.4 | July 22 | 3.1 | 5.4 | 5‖ |
| Alpine Soft Drinks | 5.29 | July 24 | 5.29 | 7.7 | 7.7 |
| Bankers Inv. | 1.98** | Aug. 28 | 2.21** | 3.78 | 3.86 |
| Beechwood | 1 | July 31 | 1.58 | 1 | 2.2 |
| Bradford Prop. | 2.3 | Aug. 7 | 1.65 | 4 | 3.25 |
| Brit. & Am. Film Hldgs. | 1.88 | — | 1.5 | 2.88 | 2.5 |
| Butterfield-Harvey | 1 | Oct. 1 | 1.5 | 1 | 2.8 |
| Carroll Inds. ... int.‡ | 2.25§ | July 10 | 1.75 | — | 5.25 |
| Countryside Props. int. | 1.4 | Sept. 10 | 1.4 | — | 3.5 |
| Crest Nicholson ... int.¶ | 2.3 | Oct. 8 | 2 | — | 4.6 |
| Mt. Timber | 2 | — | 5.6 | 4 | 8.9 |
| *MK Electric* | *7* | *Aug. 3* | *7* | *12* | *12* |
| Property Holding | 1.85 | July 28 | 1.65 | 3.08 | 2.8 |
| Saatchi & Saatchi ... int. | 2.64 | Sept. 30 | 2.11* | — | 4.8* |
| Trident TV ... int. | 1.26 | Sept. 3 | 1.26 | — | 4 |

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Irish pence throughout. § To reduce disparity. ¶ Proposed 100% scrip issue after which effective dividend rate will be 1.15p. ‖ Including 0.3p special. ** Including 0.47p special.

## EUROPEAN OPTIONS EXCHANGE

| Series | | Aug. Vol. | Aug. Last | Nov. Vol. | Nov. Last | Feb. Vol. | Feb. Last | Stock |
|---|---|---|---|---|---|---|---|---|
| GOLD C | $450 | — | .. | 2 | 60 | 1 | 74 | $461.50 |
| GOLD C | $475 | 1 | 19 | 10 | 40 | 2 | 64 | " |
| GOLD C | $500 | 11 | 15 | 17 | 30 | 2 | 51 | " |
| GOLD P | $450 | — | - | — | — | 1 | 20 | " |
| GOLD P | $475 | 3 | 20 | — | — | — | — | " |
| GOLD P | $500 | 6 | 37 | 3 | 37 | — | — | " |
| | | June | | Sept. | | Dec. | | |
| GM C | $60 | 20 | ¼ | — | — | — | — | $57⅝ |
| | | July | | Oct. | | Jan. | | |
| ABN C | F.280 | 72 | 25 B | 16 | 27 | — | — | F.305 |
| ABN C | F.300 | 70 | 9.50 B | 26 | 14.50 A | — | — | " |
| ABN C | F.320 | 43 | 2 | — | — | — | — | " |
| AKZO C | F.20 | 105 | 6.80 | 72 | 7.30 | — | — | F.26.70 |
| AKZO C | F.22.50 | 434 | 4.30 | 23 | 5 | — | — | " |
| AKZO C | F.25 | 286 | 2.30 | 168 | 3.40 | 70 | 4.30 | " |
| AKZO C | F.27.50 | 251 | 0.80 | 96 | 2.10 | 42 | 2.90 | " |
| AKZO P | F.25 | — | — | 55 | 0.80 | 55 | 1 | " |
| AKZO P | F.27.50 | — | ... | 50 | 1.50 | — | — | |
| AMRO C | F.55 | 62 | 4 A | 26 | 5 A | — | — | F.57.40 |
| AMRO C | F.60 | 12 | 1.20 | 103 | 2.20 | — | — | " |
| HEIN C | F.55 | 15 | 1 | — | — | — | — | F.54.20 |
| HOOG C | F.20 | — | — | 39 | 1.30 | — | — | F.18.18 |
| HOOG C | F.22.50 | — | — | 30 | 0.70 | — | — | " |
| KLM C | F.100 | 35 | 28.50 A | — | — | — | — | F.127.20 |
| KLM C | F.110 | 20 | 20 A | — | — | — | — | " |
| KLM C | F.120 | 33 | 12.50 | — | — | — | — | " |
| KLM C | F.130 | 143 | 6.70 | 37 | 14.30 | — | — | " |
| KLM C | F.140 | 29 | 3.70 | — | — | — | — | " |
| KLM C | F.150 | 135 | 1.60 | 40 | 5.80 | — | — | " |
| KLM P | F.100 | 17 | 0.60 | — | — | — | — | " |
| KLM P | F.110 | 44 | 1.30 | — | — | — | — | " |
| KLM P | F.120 | 96 | 4 | — | — | — | — | " |
| KLM P | F.130 | 18 | 9.50 | — | — | — | — | " |
| NATN C | F.120 | 64 | 1.40 A | 34 | 4.80 | — | — | F.115.90 |
| NATN C | F.125 | — | — | 37 | 2.80 | — | — | " |
| NATN C | F.130 | — | — | 110 | 1.20 | — | — | " |
| PHIL C | F.17.50 | — | — | 33 | 7.30 | — | — | F.24.50 |
| PHIL C | F.20 | 16 | 4.50 B | ... | — | — | — | " |
| PHIL C | F.22.50 | 47 | 2.20 | 94 | 3.30 | 356 | 4.30 | " |
| PHIL C | F.25 | 90 | 0.90 | 87 | 3.10 | 562 | 3.10 | " |
| PHIL C | F.37.50 | — | — | 662 | 1 | 507 | 1.70 | " |
| PHIL P | F.25 | — | - | 30 | 1.30 | 121 | 1.80 | " |
| RD C | F.80 | 30 | 5.50 | 135 | 8 | — | — | F.85 |
| RD C | F.90 | 363 | 0.80 | 106 | 3 | — | — | " |
| RD C | F.95 | 72 | 0.20 | — | — | — | — | " |
| RD C | F.100 | — | — | 100 | 1.50 | — | — | " |
| RD P | F.80 | 100 | 1.80 | 90 | 3.60 | — | — | " |
| RD P | F.90 | 16 | 7.50 | 70 | 9.60 | — | — | " |
| RD P | F.95 | 29 | 12.50 | — | — | — | — | " |
| | | Aug. | | Nov. | | Feb. | | |
| BOEI C | $35 | .. | — | 37 | 2 | — | — | $31⅞ |
| BASF C | DM.140 | 25 | 1.80 | — | — | — | — | DM155.20 |
| MANN C | DM.140 | 36 | 15 | — | — | — | — | DM155.50 |
| MANN C | DM.150 | 36 | 6.50B | — | — | — | — | " |
| SLUM C | $100 | 17 | 1¾ | — | — | — | — | $90⅞ |

TOTAL VOLUME IN CONTRACTS 7383

A=Asked B=Bid C=Call P=Put

| SPAIN June 16 | Price % | + or − |
|---|---|---|
| Banco Bilbao | 344 | |
| Banco Central | 414 | |
| Banco Exterior | 327 | +10 |
| Banco Hispano | 330 | |
| Banco Ind. Cat. | 125 | |
| Banco Santander | 390 | |
| Banco Urquijo | 223 | +7 |
| Banco Vizcaya | 365 | +3 |
| Banco Zaragoza | 271 | +2 |
| Dragados | 235 | +10 |
| Espanola Zinc | 91 | +1 |
| Fecsa | 81 | +4 |
| Gal. Preciados | 53 | +1.5 |
| Hidrola | 68.5 | +3.5 |
| Iberduero | 69.7 | +0.2 |
| Petroleos | 153 | +8 |
| Petroliber | 99 | |
| Sogefisa | 65 | |
| Telefonica | 88 | +5 |
| Union Elect. | 81 | |

# UK COMPANY NEWS

## Int. Timber falls £7.6m: outlook poor this year

THE DOWNTURN in construction industry activity has plunged taxable profits of the International Timber Corporation to £1.11m in the year to March 28 1981, compared with £8.74m 12 months earlier.

After CCA adjustments there is a pre-tax loss of £1.8m.

The current year will certainly start off with an indifferent first half, says Mr Ronald Groves, chairman, and although recovery from the recession may occur in time to improve second half prospects, any sustained improvement is unlikely before 1982.

Turnover fell from £216.46m to £188.83m and trading profits from £12.67m to £2.98m.

The pre-tax surplus includes a realised profit of £1.68m (£363,000) on the sale of properties and investments and was struck after reduced interest charges of £3.49m (£4.3m). The chairman says total borrowings, as a proportion of shareholders' funds, were cut from 35 to 23 per cent.

A tax credit of £7.99m (£1.63m charge), including the release of all UK stock relief deferred tax amounting to £7.1m, leaves stated earnings per 25p share ahead at 31.6p (26p). Without the release, earnings would be 6.9p.

After an extraordinary credit of £264,000 (£182,000 debit), the attributable profit emerges at £9.37m (£6.92m).

A final of 2p makes the dividend total for the year 4p, against 8.9p previously. Mr Groves says that although the cost of dividends has not been earned, and the year ahead is going to be far from easy, group reserves enable them to be paid from past profits.

Mr Groves says that after the 5 per cent reduction in activity in the construction industry in 1980, a further fall of 7 per cent is forecast for this year. There is evidence that the repair, maintenance and improvement sector is also less buoyant, although there are encouraging signs of greater activity in private house building.

He adds that the recession emphasised the fact that reduction in timber consumption in the recent past has not been matched by a similar adjustment in trade capacity. Changes which were inevitable and possibly overdue have been accelerated and benefits should accrue.

The group's workforce was reduced by over 700 to 3,300 during the year—the number employed has been cut by more than a quarter in two years.

Although capital expenditure was kept to a minimal necessary replacements, some £2m was spent on expanding the profitable merchants chain, including the acquisition of six new branches.

### ● comment

International Timber opens the sector reporting season on a note of pronounced gloom but there are one or two points to be made for the shares at 83p. First, the contraction dictated by severe construction industry recession is releasing cash. International is now 23 per cent geared and there should be further realisation possibilities once the panel and forest products divisions are merged. The decline of demand and Britain's diminishing importance in defining world timber prices brings the rationalisation of the domestic trade that much closer. The spark in the Phoenix Timber price yesterday was some reflection of revived bid speculation, although for the moment these rumours have as much spice and flavour as a re-heated motorway dinner. Lastly, there is one area of real demand which will offset the widespread fall in timber volumes. Timber frame housing may now have a quarter of the new housing market; International believes that the share of housebuilding by this method will rise to about 60 per cent within three years and is confident anyway that new starts will hit an average of 200,000 annually throughout this decade. The extent to which International, and its peers, is seen to exploit this potential, rather than remaining a passive supplier to the housebuilders, may determine the level of positive investment support for the timber trade. International yields just over 7 per cent.

## Saatchi & Saatchi expands

TAXABLE PROFITS of Saatchi and Saatchi, the advertising agency, increased by 20 per cent for the six months to the end of March 1981 compared to the same period last year, from £1.4m to £1.68m. Turnover was up from £40.4m to £46m, a record level.

Mr Kenneth Gill, the chairman, says the company will be recommending a 25 per cent increase in the interim dividend, as its belief is to give a return in line with the growth of the business. The interim will go up from 2.11p to 2.64p, after adjustment for the one-for-four scrip issue in February.

Earnings per 10p share are stated as 8.02p compared with 6.68p.

The company paid £975,000 in tax compared with £813,000, leaving net profit at £706,000 (£589,000). Minorities took £141,000 (£118,000) leaving £565,000 (£471,000) attributable to shareholders.

The interim dividend cost a total of £186,000 (£149,000) leaving a retained profit of £379,000 (£322,000).

The chairman says the UK was the fastest growing advertising market in the world during the 1970s and British advertising growth will probably continue to exceed most other countries because the UK's per capita expenditure on advertising is still less than half that of the U.S.

"Against this healthy background our own agency has maintained its fine record of new business gains

Mr Gill says "We anticipate that 1981 will be the company's 11th consecutive year of growth."

### ● comment

Advertising spending continues oblivious to recession. So it is no surprise that Saatchi and Saatchi should be reporting a profits increase of 20 per cent at the half way stage and the market's thoughts are running to at least £3.4m for the year. Possibly past recessions have taught the big companies that a cut in the advertising budget has a long term detrimental impact beyond immediate cash flow savings. Or perhaps UK companies are responding to an increasing amount of advertising by importers and overseas producers. Whatever, the message is clear that advertising revenue shows little sign of faltering. And Saatchi and Saatchi is the apple of the market's eye. Its profits record speaks for itself—20 per cent compound growth—but a prospective fully taxed p/e of 17½ leaves little room for much further enthusiasm. The next question mark is the over much mooted move into the U.S. There is over £6m of cash in the bank awaiting a suitable acquisition against a market capitalisation of £21.8m. All eyes will be looking to see how good a buy Saatchi eventually makes, for the price is well up to events at home.

## REXMORE

The rights issue by Rexmore of 900,000 13 per cent convertible preference shares has been taken up as to 65.42 per cent. Industrial and Commercial Finance Corporation has taken up the balance of 311,245 shares.

## Beechwood second half pick-up

A SECOND HALF recovery by Beechwood Construction (Holdings) resulted in a turnround from a loss of £177,823 for the first six months to a pre-tax profit of £7,048 for the year to March 31 1981 — as against £501,815 last time.

Turnover of this Dyfed-based civil and mechanical engineering group was slightly down from £11.3m to £10.92m.

Mr John Downing, chairman, says that in view of the improved second half results and taking into account the overall current trading position, the directors have decided on a final dividend of 1p (1.58p) net per 10p share. No interim was paid (0.62p).

"At this time of economic uncertainty, Beechwood is in a sound financial condition," he says. Total group borrowings were reduced by £626,503 to £3.11m. Debt now represents just over half of shareholders funds totalling £3.74m. It is the directors aim to go on reducing the group's overdraft during the current year.

"Meanwhile, we have continued our capital expenditure programme on buildings, plant and machinery. Since April last year, we have spent £579,526 (£612,146)."

Last year was an exacting and highly competitive one for all the companies in the Beechwood group he says. Demand remained low in most areas of its business throughout the year.

Although MLR went down from 17 to 12 per cent, an average rate of around 14 per cent made the cost of borrowing unusually expensive.

No sector of business was more severely affected last year by the recession than manufacturing and mechanical engineering, Mr Downing points out. It became obvious in August that the cutback in orders was going to continue.

Demand for steel fabrications from Wellfield's traditional customers in the mining and earthmoving industries was drastically reduced and, in some cases, stopped altogether. From the autumn onwards it became necessary to introduce a planned programme of redundancy and short-time working, while efforts were made to find alternative sources of work.

Spencer Harris found that expenditure cutbacks affected its schedules and a potentially strong order book suffered. Grainger continued to experience great difficulty in establishing a position in the coupling market, though the level of inquiries for its products showed an increase.

The combined loss attributable to Wellfield, Spencer Harris and Grainger, amounted to £650,000. However the civil engineering and well-drilling divisions managed to produce results at the end of the year sufficient to more than offset this loss. They have started the current year with a spread of contracts worth over £4m, Mr Downing says.

Pre-tax profit was struck after depreciation of £456,740 (£451,423) and interest payable of £440,146 (£357,597). The tax charge for the year was £26,343 (£57,954) and there was a release of £250,000 for deferred tax (nil). The proportion of the loss attributable to minority interests was £698 (£764 profit), leaving an amount attributable of £231,403 (£443,097).

The earnings per share are stated at 3.8p (7.2p) and at a loss of 0.3p prior to the release of deferred tax.

## British & American Film down

PROFITS OF British and American Film Holdings for 1980 increased from £183,782 to £253,689. But as no dividends were paid by subsidiary companies compared with £304,000 last year, the total profit before tax showed a downturn from the previous £487,782.

The wholly owned subsidiaries, which include Warwick Film Productions, BHP Films, Viceroy Films, Domino Productions and Audley Square Playwrights, made a net loss of £115,910 compared with a profit of £365,444 after a tax credit of £25,172 (£24,100 charge).

The final dividend is to be increased from 1.5p to 1.875p, making a total of 2.875p compared with 2.5p. Earnings per 5p share are stated at 7.276p against 5.115p for the holding company and 3.136p (18.167p) including subsidiaries not consolidated.

The chairman says that the company invested a proportion of its bank deposits in the equity market, resulting in the book cost of its listed investment portfolio increasing to £2.39m against £1.82m, the market value at the year end being £3.37m (£2.11m).

The directors value unlisted investments at £83,300 (£53,000), while cash at banks amounted to £282,000 (£502,000). On a consolidated basis, taking investments at their market value, the net assets of the group are £3.13m against £2.39m.

The chairman says that the results of the subsidiaries fluctuate depending on revenue from TV sales. These were considerably less than the previous year's record.

Having decided to write off costs incurred in the planning of a film which is unlikely to be produced, the subsidiaries suffered a combined pre-tax loss of £141,082 compared with the previous pre-tax profit of £389,544.

Holding company tax was £49,955 against £40,535 and extraordinary credits £30,946 against £99,446. The extraordinary item was the net profit on the sale of investments.

# Berisford edges closer to British Sugar deal

S. and W. Berisford, the commodity trader fighting to take over **British Sugar Corporation** in a £200m deal, has received acceptances from the sugar producer's shareholders representing 3.15 per cent of the equity and now holds 39.29 per cent.

Berisford needs just under 2m more shares to lift its holding to 42.56 per cent and trigger the support of a 24.16 per cent stake held by the Government. The Government intends to accept the offer if the majority of uncommitted holders of shares in British Sugar support the bid.

The offer has been extended and is expected to close on July 1.

Mr John Beckett, British Sugar's chief executive, said yesterday that the outcome would be "a damned close run thing."

In a letter to shareholders, Sir Gerald Thorley, the group's chairman, said "the battel is far from over.

"Provided you and other uncommitted shareholders continue to support us by retaining your shares, the Government will not accept the Berisford bid, which will then fail."

He adds that in the opinion of the group's financial advisers, J. Henry Schroder Wagg, "the Government's holding could then be placed without upsetting the market in British Sugar's shares. Thereafter the share price would at last be able to reflect the true worth of British Sugar's business."

He telsl shareholders: "our financial advisers have demonstated their confidence in your company by buying 2.03m shares in the stock market."

He concludes "if you have accepted the bid, withdraw it, completing the form of revocation," and advises shareholders who have not accepted the bid to "take no action."

It is understood that talks were held over two years ago with the government for the placing of its stake but nothing conclusive emerged. The government is only expected to consider the possibility of a placing once the outcome of the Berisford bid is known.

So far the Prudential, which holds a crucial stake of over 6 per cent, is supporting British Sugar, along with other insurance companies holding shares.

# BTR's £15.9m offer rejected by Posi-Seal

The U.S. arm of **BTR** intends to make a $31.7m (£15.9m) bid for **Posi-Seal International**, a Connecticut-based specialist valve maker.

Posi-Seal, however, immediately rejected the offer, worth $12 per share, as "inadequate" and "not in the best interests of the company and the stockholders."

The proposed offer price compares with the latest trading price for Posi-Seal in the market of $7.5 a share.

The two companies are also in opposition about whether the bid approach did or did not follow "discussions over several months" as BTR claims.

Posi-Seal said no negotiations for the company's sale had been conducted with any potential purchaser. However, a spokesman for the U.S. group said later that BTR had held talks "with a substantial shareholder who is also an officer and a director of Posi-Seal."

He claimed that these talks had been on a personal basis, not involving the company as a whole.

BTR, whose interests include transportation, engineering and materials handling, has made two major acquisitions in the U.S. in the past three years.

Last year it paid £65m for the Huyck Corporation, material supplier to the paper and print industry, and in 1978 it paid some £24m for Worcester Controls, another specialist valve maker.

According to BTR's latest report and accounts both companies are progressing well.

# Backing for Fine Organics

**Equity Capital for Industry and Moracrest Investments**—the company owned jointly by Midland Bank, Prudential Assurance and the British Gas Board Pension Fund—have each invested £277,500 in **Fine Organics**, a specialist manufacturer of chemical intermediates used mainly in the pharmaceutical and photographic industries.

Fine Organics has been purchased in a management buy out transaction from **Magnachem**, a subsidiary of **Baker International** of the U.S. The investment is being made through a new company Tracebrew, which ECI and Moracrest have formed together with Dr John Hollowood who has been appointed chairman and managing director of Fine Organics.

The "buy out" package totals £1.63m comprising a £915,000 purchase consideration, of which £615,000 is due on completion and a further £300,000 payable on a deferred basis, together with £710,000 of working capital facilities provided by the Midland Bank.

The investment being made jointly by ECI and Moracrest involves equity and term loans, giving ECI and Moracrest each a 20 per cent holding in Tracebrew with Dr Hollowood and his family owning 51 per cent, and Mr Alistair Anderson, the operations director, 9 per cent.

Fine Organics, based at Peterlee, County Durham, was formed by Magnachem in 1977. Magnachem is dosposing of its interest in Fine Organics following its U.S. parent company's plans to concentrate in the UK in other fields. At the same time, Dr Hollowood has been keen to acquire control of Fine Organics having been largely responsible for its successful development to date.

### ALLOY FASTENINGS

Mr Martin Spencer, receiver, has concluded the sale of the business and undertaking of **Alloy Fastenings (Screws and Bolts)** to RTZ Industries, operating through a wholly-owned subsidiary, PSS Ltd.

The business will continue to operate from the Heston Centre, Hounslow, with the majority of the original employees.

### CARDIFF PROPERTY

At the EGM of **Cardiff Property** resolutions were passed to increase the authorised capital from £160,000 to £500,000 and to ratify the purchases and sales of property. The board has issued 71,855 shares as vendor consideration and these have been placed with institutions through the market at 116p.

### W. LAWRENCE

Walter Lawrence has merged the construction activities of Frederick Coyle and Company of Weybridge, Surrey with those of its main construction company Walter Lawrence and Son.

Prior to the merger Frederick Coyle had operated for sixteen years as a separate subsidiary within the Walter Lawrence Group.

**Scoteros**—Walter Alexander has increased its holding to 1,699,237 shares (24.3 per cent).

**British Petroleum**—GRE nominees, a subsidiary of Guardian Royal Exchange Assurance, has acquired 125,000 9 per cent cumulative second preference shares. Together with 149,000 shares already held by Guardian Royal Exchange Assurance, this represents a holding of 5.006 per cent of this class of share.

**United States Debenture Corporation**—The Post Office Staff Superannuation Fund holds £140,500 3.85 per cent cumulative preference stock (6.1 per cent).

**Hammerson Property and Investment Trust**—The Bank of Scotland 1976 staff pension scheme has acquired 100,000 shares and is now the holder of 850,000 shares (8.07 per cent).

**Bardsey**—Following the recent issue of ordinary shares in connection with the acquisition of London and European group, Mr. M. O. W. Pearson now has a beneficial interest in 1,600,000 ordinary shares (5.41 per cent). In addition the following now no longer hold 5 per cent or more of the issued ordinary shares of Bardsey: Mr. J. R. Bentley, Mr. C. P. Bray, The London Trust Company.

**Safeguard Industrial Investments.**

**Safeguard Industrial Investments**—The airways pension fund trustees have purchased 20,000 ordinary, making their total holding 700,000 shares, 6.36 per cent of the issued share capital.

**Francis Industries** — Temple Bar Investment Trust, as a result of a sale of ordinary (250,000), now has an interest in 750,000 shares (6.75 per cent) of the ordinary shares.

**Aberdeen Trust**—Airways Pension Fund Trustees have acquired 150,000 shares making holding 2,048,317 (6.14 per cent).

**Camrex (Holdings)** — Hawley Leisure is now interested in 1,515,000 (15.8 per cent) ordinary shares—within this figure, 960,000 (10 per cent) are held by Provincial.

### LADBROKE/WALLIS'S

The offers by **Ladbroke Group** for the capital of **Wallis's Clayton Bay Holiday Camp** have become unconditional. Acceptances have been received from the holders of all the ordinary and preference shares.

The Stock Exchange has admitted to the official list £1.43m of the Ladbroke 8 per cent Guaranteed Unsecured Loan Stock 1990-92 which has been issued in respect of the loan stock alternative under the offers.

# Leech/Bellway abandon merger

BY RAY MAUGHAN

THE BIG Newcastle housebuilding merger is off. The two sides, William Leech and Bellway, announced yesterday that plans to create what would have been the fourth largest residential development group in the country have been abandoned.

Having enthused earlier about "a logical tie-up of management resources from top to bottom," the housebuilders said bluntly that "fundamental differences in the management philosophies of the two companies have emerged during the course of discussions subsequent to the initial announcement of merger terms on May 28.

"It has therefore been mutually agreed that the proposed merger of the two companies would be impracticable and the merger plans have consequently been abandoned," they announced. "The consent of the Panel on Takeovers and Mergers has been obtained."

The deal, whereby Leech would bid for Bellway on a one-for-one share exchange basis looked, at the outset, to be cut and dried. The Bellway board and trustees of certain family holdings gave irrevocable undertakings to accept the offer in respect of 42.5 per cent of Bellway's equity. And on the other side, the directors of Leech, their immediate families and directors of the William Leech Foundation confirmed in writing that they would vote 43.9 per cent of Leech shares in favour of the necessary resolutions for the implementation of the merger.

No director of either company, or their respective financial advisors, were available yesterday to explain the "fundamental differences."

### S. G. WARBURG/UGINE KUHLMANN

**Mercury Securities** announces that, following the expiry of the applicable waiting period under the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976 and the receipt of appropriate confirmation from the Cartel Office of the Federal German Republic, the agreement for the sale by Mercury's subsidiary S. G. Warburg and Company of Brandeis, Goldschmidt and Company and its subsidiaries to two international trading subsidiaries of Pechiney Ugine Kuhlmann S.A. has become unconditional.

## SHARE STAKES

**Greenall Whitley and Co**—Mr C. J. B. Hatton and Mr A. G. Thomas, directors, have disposed of 150,000 shares from their beneficial interest.

**Hollis Brothers and ESA** — Industrial Equity (Pacific) has purchased 450,000 shares bringing holding to 1,775,000 (19.6 per cent).

**Laing Properties**—As a result of the enfranchisement of the non-voting shares and the issue of shares to holders of ordinary (voting) shares, Messrs E. C. Uren, E. R. Beecher and A. L. Harland, as the trustees of certain family trusts, now hold 13,145,972 ordinary shares.

**Lee Cooper Group**—Mrs Sally Roter has disposed of 100,000 shares.

**St Andrew Trust**—BBC New Pension Scheme Funds holds 572,880 shares (5 per cent).

# Hawtin starts 1981/82 in healthy position

STOCK REDUCTIONS, in the latter half of last year, enabled **Hawtin** to start 1981-82 in a healthy financial position and to take advantage of any recovery in the economic outlook, Mr Frank Hawtin, chairman, tells members.

He explains that a position was reached where high stocks were being financed by bank borrowings at a time of high interest rates and when provisions had to be made for payment to P. G. Holdings of a loan and interest amounting to £434,849. The chairman adds that liquidity had been further reduced by the purchase of H. Sumner.

"The group, therefore, resorted to stock reduction at minimal profit margins," which had a serious effect on profits for the January 31 1981 year.

As reported on May 2, second half surplus of this protective clothing and safety equipment manufacturer slumped from £582,000 to only £41,000 leaving the figure for the 12 months well down from £1.18m to £270,000. The dividend was maintained, however, at 0.25p net per share.

Commenting on the Sumner purchase, Mr Hawtin says that hindsight now shows it was acquired at a time "that could hardly have been less propitious." He says that a disproportionate amount of funds were invested in the undertaking, "clearly requiring great efforts to obtain a satisfactory return in terms of earnings and service."

He adds, however, that he is not in any doubts as to the part the company will eventually play in widening the group's marketing arrangements.

# Midland Inds. seeks export expansion

Mr Eddie Marsland, chairman of **Midland Industries**, the Wolverhampton-based engineer and repetition ironfounder, told shareholders at the annual meeting yesterday that the company had continued to make profits but that the upturn in the economy "that everyone was expecting" had not taken place.

"Steps are being taken to compete more favourably in the European and U.S. markets," he said.

As reported on April 9, Midland Industries made pre-tax profits of £92,000 (£2.5m for 15 months) in 1980 on turnover of £22.03m (£28.94m). Current cost adjustments produced a loss be-

**THE TRING HALL U.S.M. INDEX**
**122.0 (+1.1)**
at close of business 16/6/81
BASE DATE 10.11.80 100

## LONDON TRADED OPTIONS

June 15 Total Contracts 1,536 Calls 1,293 Puts 243.

| Option | Ex'rcise price | July Closing offer | July Vol. | Oct. Closing offer | Oct. Vol. | Jan. Closing offer | Jan. Vol. | Equity close |
|---|---|---|---|---|---|---|---|---|
| BP (c) | 330 | 28 | 1 | 42 | — | 52 | — | 352p |
| BP (c) | 360 | 11 | 81 | 24 | 6 | 38 | 2 | ,, |
| BP (c) | 390 | 3½ | 2 | 12 | 5 | 22 | — | ,, |
| BP (p) | 330 | 6 | 18 | 11 | — | 17 | 1 | ,, |
| BP (p) | 360 | 17 | 10 | 27 | 13 | 30 | 21 | ,, |
| BP (p) | 390 | 40 | 75 | 42 | 10 | 42 | 85 | ,, |
| Com. U'n (c) | 180 | 4 | — | 10 | 9 | 15 | — | 166p |
| Cons. Gld (c) | 460 | 30 | — | 47 | 2 | 58 | — | 470p |
| Cons. Gld (c) | 500 | 10 | 9 | 25 | — | 38 | — | ,, |
| Court'lds (c) | 60 | 9 | 12 | 18 | 6 | 17½ | 12 | 68p |
| Court'lds (c) | 70 | 3 | — | 7½ | 17 | 10½ | 3 | ,, |
| Court'lds (c) | 80 | 1 | — | 3 | 6 | 5½ | 30 | ,, |
| GEC (c) | 650 | 37 | 109 | 63 | — | 88 | — | 678p |
| GEC (c) | 700 | 11 | 6 | 33 | 2 | 58 | 1 | ,, |
| Gr'd Met. (c) | 160 | 57 | — | 61 | 20 | — | — | 214p |
| Gr'd Met. (c) | 180 | 37 | 2 | 41 | 65 | 49 | 1 | ,, |
| Gr'd Met. (c) | 200 | 17 | 26 | 28 | 53 | 36 | 27 | ,, |
| Gr'd Met. (c) | 220 | 5 | 8 | 15 | 20 | 24 | 21 | ,, |
| ICI (c) | 260 | 36 | 15 | 48 | 25 | 60 | — | 292p |
| ICI (c) | 280 | 17 | 33 | 32 | 31 | 44 | 25 | ,, |
| ICI (c) | 300 | 7 | 5 | 18 | 15 | 34 | 1 | ,, |
| ICI (c) | 330 | 1½ | 23 | 9 | — | 18 | 1 | ,, |
| Land Sec. (c) | 390 | 13 | 14 | 31 | — | 41 | — | 392p |
| Land Sec. (c) | 420 | 3 | — | 16 | 5 | 26 | — | ,, |
| Mks & Sp (c) | 120 | 9½ | 6 | 18 | — | 24 | — | 127p |
| Mks & Sp (c) | 140 | 1½ | .. | 7 | 8 | 10 | — | ,, |
| Shell (c) | 360 | 12 | 26 | 22 | 1 | 34 | — | 354p |
| Shell (c) | 390 | 5 | 2 | 11 | — | 23 | 6 | ,, |
| Shell (c) | 420 | 3 | — | 7 | — | 15 | 5 | ,, |
| | | August | | November | | February | | |
| Barclays (c) | 390 | 43 | 50 | 55 | 3 | 70 | — | 428p |
| Barclays (c) | 420 | 22 | 70 | 35 | 7 | 50 | — | ,, |
| Barclays (c) | 460 | 5 | 67 | 17 | 11 | — | — | ,, |
| Imperial (c) | 70 | 6½ | 60 | 7½ | — | 10½ | 1 | 75p |
| Imperial (c) | 80 | 2 | — | 3½ | — | 6 | 5 | ,, |
| Lasmo (c) | 550 | 34 | 10 | 57 | 10 | 77 | — | 734p |
| Lasmo (c) | 600 | 18 | 10 | 35 | 1 | 54 | 6 | ,, |
| Lasmo (c) | 650 | 8 | — | 20 | 1 | — | — | ,, |
| Lonrho (c) | 90 | 7 | 10 | 11 | 2 | 15½ | — | 99p |
| Lonrho (c) | 100 | 3 | — | 5½ | — | 9 | 1 | ,, |
| Lonrho (p) | 90 | 4 | — | 6 | 5 | 9 | — | ,, |
| P & O (c) | 120 | 16 | 5 | 20½ | — | — | — | 131p |
| P & O (c) | 140 | 3 | 5 | 8½ | 6 | 12 | 1 | ,, |
| P & O (c) | 160 | 1½ | — | 3 | 1 | — | — | ,, |
| Racal (c) | 330 | 35 | 3 | 53 | — | 63 | — | 363p |
| Racal (c) | 360 | 18 | 2 | 34 | — | 47 | — | ,, |
| Racal (c) | 390 | 7 | 2 | 19 | 1 | 31 | — | ,, |
| Racal (p) | 360 | 16 | 6 | 19 | — | 25 | — | ,, |
| RTZ (c) | 420 | 92 | 10 | 108 | — | — | — | 505p |
| RTZ (c) | 460 | 62 | 20 | 78 | — | 95 | — | ,, |
| RTZ (c) | 500 | 32 | 52 | 52 | 47 | 65 | — | ,, |
| RTZ (c) | 550 | 15 | 7 | 32 | 7 | 40 | 1 | ,, |

C=Call P=Put

ISSUE NEWS

# Property Holding to raise £10m by rights

Property Holding and Investment Trust is raising £10.1m by way of a rights issue of 8½ per cent convertible unsecured loan stock.

The company has also reported preliminary results for the year ended March 31 1981, showing pre-tax profits of £2.6m (£1.2m) after gross income from properties of £5.1m (£4.1m). Net tangible assets are £34.3m (£33.4m) before property revaluations.

PHIT has had its commercial investment and development properties valued independently for the first time in many years, and the resulting figure is £95.2m. Flats and an associated company are valued at £6m by the company's managing director. These give a surplus over book value of £54.5m.

Net assets per share, incorporating the valuation and assuming conversion of the existing 9 per cent loan stock 1990-95, are 223p (192p).

The directors recommend a final dividend of 1.85p, making 3.08p for the year (2.8p), and they remain confident about the future trend of profits.

G.M. Properties, acquired last year, contributed £356,000 to the increase in net income from properties. The cost of exceptional repairs fell from £1.2m to £371,000.

The company's investment in commercial property both by acquisition and the development of sites and refurbishment has been steadily expanded. This policy has been financed largely from the company's own resources, particularly the proceeds of sale of flats and quoted investments.

A considerable number of opportunities for developing and refurbishing existing properties exists and the board intends to expand investment in commercial property either by direct acquisition of property or of property companies.

A rights issue of convertible loan stock is considered the most appropriate method of providing more long term capital to finance these objectives.

The rights issue is on the basis of £1 nominal of stock for every four shares and £1 nominal for every £3.33 nominal of the existing convertible loan stock held on June 9. Net proceeds will be £9.88m.

The new stock is convertible from 1985 to 2001 at the rate of 55 ordinary shares per £100 nominal or 181.8p a share.

An EGM is to be held on July 2 to approve an increase in the company's borrowing limits and dealings are expected to begin in the new stock on July 3. The final date for acceptances is July 23.

Pearl Assurance Company has undertaken to take up its entitlement of £1.85m of the new stock. The balance has been underwritten by Kleinwort, Benson and brokers to the issue are Rowe and Pitman.

● **comment**

Excluding the exceptional repair bills, profits of Property Holding and Investment Trust are up by a fifth. The company seems confident of further strong growth this year as well mainly as a result of rent reviews and despite the sharply higher interest charges the new convertible loan stock will bring. Partly because of the acquisition of G.M. Properties, PHIT now has a number of promising sites to develop. On the other hand, the gradual sale of the residential portfolio is virtually at an end and so the group has decided to raise outside capital to pursue its commercial and industrial development programme. The shares fell 3p yesterday to 166p where they stand at a 26 per cent discount to net asset value and yield only 2.7 per cent. Some investors may find the new convertible loan stock, with its 8½ per cent coupon and 10 per cent conversion premium, more attractive than the shares.

# Alpine Drinks £0.6m upsurge

IMPROVED MARGINS more than offset a reduction in volume for Alpine Soft Drinks in the year to March 28 last and the pre-tax surplus went ahead from £926,000 to £1.51m.

This represents a continuation of the improvement reported at halfway, when profits were up from £647,000 to £932,000.

The directors are holding the dividend total at 7.7p net with a final of 5.288p and plan to make a one-for-one scrip issue, to bring the issued share capital more into line with the capital employed.

Stated earnings, after tax of £590,000 (£326,000) advanced from 11.67p to 17.94p. Dividends again absorb £396,000, leaving a retained surplus of £527,000 (£204,000).

Turnover went ahead from £15.26m to £17.27m. Trading profits on the soft drinks side reached a record £1.85m (£1.28m), despite the 2.3 per cent reduction in volume which resulted from general economic conditions and a poor summer.

Alpine Direct Supply incurred increased losses of £333,000 (£207,000) and the directors say the future of this subsidiary will be reviewed after the results of issuing the autumn 1981 catalogue are known. It will operate from existing stocks in the current year, and trading losses should be substantially reduced, they add.

Despite the poor start to the summer, directors say soft drink sales volume in the current year is similar to that achieved in the same period last year.

On a CCA basis, the pre-tax profit is reduced to £954,000.

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Scotcros — Walter Alexander has purchased a further 57,500 ordinary shares increasing its holding to 1,555,333 (22.2 per cent).

# Countryside Properties sees growth over year

AS PREDICTED by the deputy chairman at the annual meeting in March, profits of Countryside Properties fell back in the first half of the current year, the pre-tax figure emerging at £407,000, compared with £753,000.

However, for the full year, to September 30 1981, the directors expect record turnover, higher profits and an increased final dividend—last year's final was 2.1p paid from taxable profits of £903,000.

In the meantime the net interim payment is being maintained at 1.4p, as forshadowed.

Turnover of this commercial property developer and house builder for the half year to end-March last declined from £7.8m to £6.8m.

The pre-tax surplus was after interest charges which rose from £387,000 to £538,000.

Stated earnings per 25p share came through at 6.2p, against 11.9p.

Tax took £36,000 (same) and after interim dividend payments which again absorb £84,000, retained profits were £287,000 (£633,000).

The directors explain that the results for the first half were achieved entirely from residential development whereas the profit for the corresponding period included a significant contribution from the sale of a commercial property development.

On prospects they say the group is being substantially strengthened by planned expansion of its commercial property development activities in addition to its continuing success in housing development.

For the current year the directors say that having regard to new housing sale completions achieved so far, along with the contribution being made during the second half from commercial property development, they anticipate that group turnover will be a record.

Since the end of the half year the group's shopping centre development at North Melbourne, Chelmsford, has been sold for £1.83m. The sale was to the group's newly-formed property investment company, Countryside Investments, which is jointly owned with Barlow Holdings (40 per cent), and Majedie Investments (20 per cent).

On the commercial side good progress is being achieved with the supermarket development at Leigh-on-Sea, and the Rainsford housing development at Chelmsford. Both are contracted to be sold on completion.

Work has started recently on an office development at Billericay, Essex, and planning permission has been obtained to develop a large supermarket on a group site at Hadleigh.

# Zygal Dynamics USM placing

THE prospectus is published today of Zygal Dynamics, a distributor of computer printers, terminals and ancillary equipment. The company is coming to the Stock Exchange's Unlisted Securities Market by way of a placing of 1m shares, 28 per cent of those issued, at 88p a share.

Turnover has grown from £191,000 in the 16 months ended March 31, 1977, to £2m in the full year to March 31, 1981. Profit over the same period has grown from £26,000 to £252,000. At the placing price, the group is capitalised at £3.25m.

No dividends have been paid to date but provided trading conditions remain satisfactory in the current year, the directors intend to recommend a total dividend of 0.75p in respect of 1981-82.

Zygal's principal product range is supplied by Diablo Systems, a subsidiary of Xerox Corporation. Diablo product revenues were £1.39m last year.

The Zygal balance sheet, at March 31, 1981, shows net tangible assets of £519,000 of which £386,000 are in fixed assets. Borrowings stood at £199,000 but have since been reduced to £175,000.

All the shares in the placings are being provided by certain directors. The placing is being made by Barclays Merchant Bank and brokers are Quilter Hilton Goodison.

● **comment**

Zygal has built up a sizeable and profitable business in only six years by distributing computer printers and terminals. However, the reliance on one supplier, Diablo, for nearly 70 per cent of turnover could be disturbing. Another recent arrival on the USM, Business Computers (Systems) also buys a lot of equipment from Diablo. Zygal claims the distinction is clear; it sells hardware only while Business Computers is in the systems business, putting its own software into Diablo micro-computers. Still the two could clash at some point. At the placing price, the prospective yield is 1.2 per cent and the fully taxed p/e is nearly 27.

# Argyll Foods balance sheet 'a lie'—court told

A BALANCE sheet published in Argyll Foods report and accounts for 1979 was a lie, Mr K. J. Sharp, head of the Department of Trade's accounting services, alleged in Penarth (South Wales) magistrates' court yesterday.

Giving evidence—in what Mr Timothy Nash, crown prosecuting counsel, described as a test case—Mr Sharp alleged the innocent investor could easily have been misled by the decision of the Argyll directors to include the assets of Morgan Edwards in the balance sheet dated December 31, 1979, since at that stage it was not a subsidiary of Argyll Foods.

Although shareholders were given notice of Argyll's decision to acquire the company in November, Morgan Edwards did not become a subsidiary until March 25, 1980.

Before the court was Mr D. G. C. Webster, Argyll's financial director, who is accused of being in breach of sections 150 and 154 of the Companies Act in respect of the presentation of accounts. Mr Webster pleaded not guilty and opted for summary trial.

Opening the prosecution case, Mr Nash said it was not a "proper and realistic view of the Companies Act for a director to please himself how he draws his accounts up." He had to give a true and fair view of the state of the company at the date of the accounts.

The inclusion of Morgan Edwards' assets in the 1979 balance-sheet had produced an overall picture which was not true or fair, he alleged.

The prosecution also argued that Argyll's presentation failed to comply with Statements of Standard Accounting Practice nos. 14 and 17, though it accepted these documents did not have the force of law.

Under defence cross-examination, Mr Sharp conceded that the fact that Morgan Edwards' acquisition had not been completed was referred to in the notes accompanying the balance-sheet: and that the notes also stated that a breach of sections 150 and 154 had occurred on a strict interpretation of the act.

But "the notes are there to explain and expand points in the balance sheet, not to reverse them," Mr Sharp maintained.

The inclusion of Morgan Edwards in a balance sheet of that date was "a false presentation," he alleged.

Mr Sharp also rejected a defence argument that the Argyll presentation in this instance was akin to the accepted accounting practice of including hire purchase agreements, leased assets and equity in associated companies in a balance sheet.

"In all those examples a contract exists at the time, whereas with an intended subsidiary, there is no contract." He described the auditor's statement of approval of the accounts as "ambiguous."

Another Department of Trade witness alleged the balance sheet was misleading and its presentation "virtually unprecedented." The inclusion of Morgan Edwards gave a gearing ratio of 2.29 to one; whereas the subsidiary's exclusion gave a gearing ratio of 0.98.

The case continues.

## BASE LENDING RATES

| | | | |
|---|---|---|---|
| A.B.N. Bank | 12 % | Grindlays Bank | ‡12 % |
| Allied Irish Bank | 12 % | ■ Guinness Mahon | 12 % |
| American Express Bk. | 12 % | ■ Hambros Bank | 12 % |
| Amro Bank | 12 % | Heritable & Gen. Trust | 12 % |
| Henry Ansbacher | 12 % | ■ Hill Samuel | §12 % |
| AP Bank Ltd. | 12 % | C. Hoare & Co. | †12 % |
| ■ Arbuthnot Latham | 12 % | Hongkong & Shanghai | 12 % |
| Associates Cap. Corp. | 12 % | Knowsley & Co. Ltd. | 14 % |
| Banco de Bilbao | 12 % | Langris Trust Ltd. | 12 % |
| BCCI | 12 % | Lloyds Bank | 12 % |
| Bank of Cyprus | 12 % | Mallinhall Limited | 12 % |
| Bank of N.S.W. | 12 % | Edward Manson & Co. | 13 % |
| Banque Belge Ltd. | 12 % | Midland Bank | 12 % |
| Banque du Rhone et de la Tamise S.A. | 12½% | ■ Samuel Montagu | 12 % |
| Barclays Bank | 12 % | ■ Morgan Grenfell | 12 % |
| Beneficial Trust Ltd. | 13 % | National Westminster | 12 % |
| Bremar Holdings Ltd. | 13 % | Norwich General Trust | 12 % |
| Bristol & West Invests. | 13 % | P. S. Refson & Co. | 12 % |
| Brit. Bank of Mid. East | 12 % | Ryl. Bk. Canada (Ldn.) | 12 % |
| ■ Brown Shipley | 12½% | Slavenburg's Bank | 12 % |
| Canada Perm't Trust | 13 % | E. S. Schwab | 13 % |
| Cayzer Ltd. | 12 % | Standard Chartered | ‖12 % |
| Cedar Holdings | 12 % | Trade Dev. Bank | 12 % |
| ■ Charterhouse Japhet | 12 % | Trustee Savings Bank | 12 % |
| Choulartons | 12 % | TCB Ltd. | 12 % |
| C. E. Coates | 12 % | United Bank of Kuwait | 12 % |
| Consolidated Credits | 12 % | Whiteaway Laidlaw | 12½% |
| Co-operative Bank | *12 % | Williams & Glyn's | 12 % |
| Corinthian Secs. | 12 % | Wintrust Secs. Ltd. | 12 % |
| The Cyprus Popular Bk. | 12 % | Yorkshire Bank | 12 % |
| Duncan Lawrie | 12 % | | |
| Eagil Trust | 12 % | | |
| E. T. Trust Limited | 12 % | | |
| First Nat. Fin. Corp. | 14 % | | |
| First Nat. Secs. Ltd. | 14 % | | |
| Robert Fraser | 12 % | | |
| Antony Gibbs | 12 % | | |
| Greyhound Guaranty | 12 % | | |

■ Members of the Accepting Houses Committee.
* 7-day deposits 9%, 1-month 9¼%. Short term £4,000/12 months 11.85%.
† 7-day deposits on sums of £10,000 and under 9%, up to £50,000 9½% and over £50,000 10%.
‡ Call deposits £1,000 and over 9%.
§ Demand deposits 9½%.
‖ 21-day deposits over £1,000 10½%.

**Richard Lambert** reports on how British insurance companies did in 1980

# Investment income fills the breach

THE UK insurance industry had a difficult year in 1980, Mr Jack Emms, retiring chairman of the British Insurance Association, said yesterday. And the trends in a number of areas around the world remained adverse.

Mr Emms, who is a vice chairman and chief general manager of the Commercial Union, was introducing the aggregate 1980 results of BIA members. These consist of over 325 insurance companies transacting some 95 per cent of the worldwide business of the British insurance company market.

The 1980 results highlight the growing importance of investment income to the insurance industry around the world. BIA members' total underwriting losses on general business climbed from £216.4m to £310m during the year, which represents 4 per cent of premium income compared with 3 per cent in 1979.

However, this was offset by a rise of £147m (15 per cent) in investment income — a reflection of high interest rates and the strong liquidity of most leading UK insurers. As a result, the net surplus of BIA members in 1980 was £818m, up from £764.6m in 1979.

The last time underwriting losses touched 4 per cent of premiums was in 1975. But the impact then was a lot more painful because the level of investment income at that time was so much lower. In 1975 investment income less underwriting losses produced a surplus equivalent to just over 6 per cent of BIA members' premiums. In 1980, the equivalent figure was over 10 per cent.

Once again, BIA members did best in their home patch. UK premiums rose by over a fifth compared with an increase of just under 9 per cent [to £8.2bn] in general business around the world. UK underwriting losses represented just 1.3 per cent of premium income, a marked improvement on the 2.8 per cent reported a year earlier.

This improvement covered both motor and other fire and accident business and in part reflected the absence of significant extreme weather costs during the year. In 1979, when motor losses totalled £54.9m, the BIA estimated that bad weather in the first months of the year had brought claims costing £25m above the seasonal norm.

The better weather helped to reduce UK motor claims frequency by 3 per cent in 1980. But the cost of an average private motor claim rose by about a fifth, reflecting the increased cost of spare parts, labour rates and car prices (ranging between 7 and 17 per cent) and of court awards for injury.

The absence of severe weather conditions together with higher premiums for household business brought a substantial improvement in UK fire and accident business. Losses fell to just £1.9m compared with an exceptionally high £36.4m in 1979.

In that year, the cost of bad weather claims was put at £65m, while subsidence claims hit BIA members to the tune of more than £20m.

However, one grim statistic in the latest period is the 55 per cent rise in domestic theft claims to £75.6m. In all, crime losses cost the UK insurance companies more than £130m in the year compared with £39m in 1975.

In the U.S., BIA members have suffered along with all the other insurers from intense competition, and inflation boosted claims costs. Their experience appears to have been broadly in line with the industry as a whole with underwriting losses amounting to 4 per cent of premiums, up from 1.6 per cent in 1979. Losses on non-auto fire and accident business rose from £4.7m to £21.3m, while motor losses almost doubled to £30.8m (or 6.9 per cent of premiums). Most insurers expect these figures to get considerably worse during 1981.

The performance in the rest of the world was even bleaker. Total premiums actually dropped a little in sterling terms, reflecting both the strength of the currency and the excess capacity in insurance markets around the world. Overall underwriting losses amounted to £169.9m or more than 8 per cent of premium income, which even after allowing for investment income must have resulted in some decidedly unattractive returns for UK insurers.

Canada was one of the biggest loss makers. Royal Insurance is the market leader there, and has already reported underwriting losses of £24.1m on premium income of £173.1m. In response the leading companies pushed through sizeable rate increases at the beginning of this year, and further increases are expected in the next month or so. Even so, Canada will be producing big losses for a number of companies in 1981.

Australia has been another trouble spot, as it has so often been in the past. Most of the UK's big seven composite companies seem resigned to bad results in this territory.

Worldwide business transacted by BIA members in the marine and aviation market produced premiums of £561m. Accounts in these classes are kept on a three-year basis, and it is not possible to state the outturn for 1980. However, it is clear that business is tough—and getting tougher. In 1980, there was a total transfer of £36.4m from profits in respect of marine, aviation and transport business. This compares with a transfer from profits of £7.5m a year earlier.

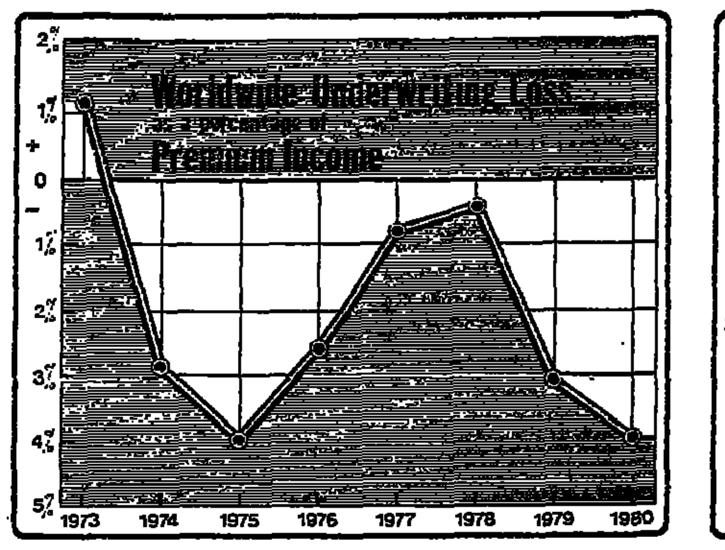
With 48 per cent of general premium income arising from operations overseas, the insurance companies again made a big contribution to UK foreign currency earnings. And they remain a very substantial force in the capital markets, with total funds invested of nearly £68bn, of which £54.4bn is held by the long term life funds.

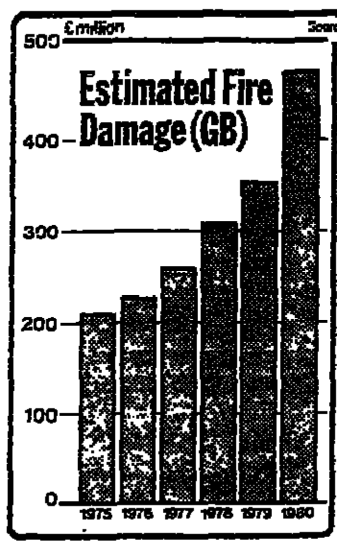
The overall conclusion is that excess capacity is putting increasing pressure on profits in the world's insurance industry. But thanks to rising investment income and a relatively good performance within the home market, the overall return on capital for the UK companies is still not too bad.

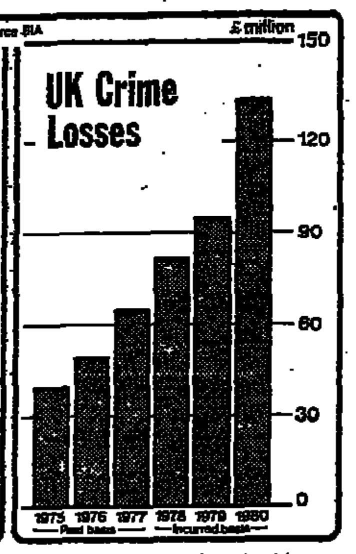
Discussing the question of overseas investment since the removal of UK exchange controls, Mr Emms said that BIA members had invested some 12 per cent of their total cash flow abroad during 1980. This compared with about 3 per cent in the first half of 1979, before the controls started to be dismantled.

Companies were constrained by the need to match their assets with their liabilities in terms of currencies, he added. Therefore the recent level of overseas diversification could probably be regarded as a once for all adjustment. The process was not yet completed, but the figures for 1981 would probably confirm that it had not much further to go.

Mr Emms is succeeded as chairman of the BIA by Mr Peter Dugdale, 53, who is managing director of Guardian Royal Exchange. Mr Peter Sharman, chief general manager and a director of the Norwich Union has been re-elected a deputy chairman, while Mr John Howard, chief general manager and a director of Royal Insurance, has been made a deputy chairman.




*Graphs by Bob Hutchinson*

**WORLDWIDE UNDERWRITING RESULTS**

| | 1979 Premiums £bn | 1979 Profit/loss £m | 1979 % of premiums | 1980 Premiums £bn | 1980 Profit/loss £m | 1980 % of premiums |
|---|---|---|---|---|---|---|
| Fire and accident (non-motor) | 4.1 | −105.7 | −2.6 | 4.5 | −123.6 | −2.8 |
| Motor | 2.5 | −103.2 | −4.1 | 2.8 | −150.0 | −5.4 |
| TOTAL | 6.6 | −208.9 | −3.1 | 7.3 | −273.6 | −3.8 |
| **UK MARKET** | | | | | | |
| Fire and accident (non-motor) | 1.9 | −36.4 | −1.9 | 2.3 | −1.9 | −0.1 |
| Motor | 1.3 | −54.9 | −4.2 | 1.6 | −49.7 | −3.2 |
| TOTAL | 3.2 | −91.3 | −2.8 | 3.9 | −51.6 | −1.3 |
| **U.S. MARKET** | | | | | | |
| Fire and accident (non-motor) | 0.8 | −4.7 | −0.6 | 0.8 | −21.3 | −2.5 |
| Motor | 0.4 | −15.7 | −3.7 | 0.4 | −30.8 | −6.9 |
| TOTAL | 1.3 | −20.4 | −1.6 | 1.3 | −52.1 | −4.0 |

*Source: BIA*

**TOTAL INVESTMENTS OF BIA MEMBERS**
(at market prices)

| | 1979 £m | 1979 % | 1980 £m | 1980 % |
|---|---|---|---|---|
| British Government Authority Securities | 130,006 | 23.5 | 16,604 | 24.4 |
| Foreign and Commonwealth Government, provincial and municipal stocks | 3,270 | 5.9 | 3,309 | 4.9 |
| Debentures, loan stocks, preference and guaranteed stocks and shares | 4,271 | 7.7 | 4,325 | 6.2 |
| Ordinary stocks and shares | 15,455 | 27.8 | 21,232 | 31.2 |
| Mortgages | 4,304 | 7.8 | 4,520 | 6.7 |
| Real property and ground rents | 11,758 | 21.2 | 14,399 | 21.2 |
| Other investments | 3,354 | 6.1 | 3,669 | 5.4 |
| Total invested funds | 55,418 | 100.0 | 67,968 | 100.0 |
| Income from investments | 4,562 | — | 5,422 | — |

*Source: BIA*



**APPOINTMENTS**

## Peter Dugdale is chairman of BIA

Mr Peter Dugdale has been elected chairman of the BRITISH INSURANCE ASSOCIATION. He is managing director of Guardian Royal Exchange Assurance and was made a deputy chairman of the BIA in 1979.

Mr Peter Sharman has been reappointed a deputy chairman of BIA and Mr John Howard becomes a deputy chairman. Mr Sharman is chief general manager and a director of the Norwich Union Insurance Group and Mr Howard is chief general manager and a director of Royal Insurance.

★

Mr Thomas G. Daniels has been elected a vice president of FORD MOTOR COMPANY and appointed vice president, sales, for Ford of Europe Incorporated. He succeeds Mr William P. Benton, who was recently named vice president, marketing, for Ford Motor Company (the U.S. parent). Mr Daniels, who joined Ford in 1957, was appointed vice president, parts operations for Ford of Europe in August 1980.

★

Mr Austin Callaghan has been elected president of the INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS for 1981-82. Mr Derrick Willingham has been re-appointed vice-president, and Mr David Allen becomes a vice-president. Mr Callaghan is financial controller of the Royal Liverpool Philharmonic Society.

★

Mr Neville E. Staples has been appointed financial director of ASTRA INDUSTRIAL GROUP.

★

Mr R. E. Wetton has been appointed a non-executive director of R. H. COLE.

★

Mr John Lithiby has been appointed to the board of FORTNUM AND MASON as a non-executive director. He is a partner in Panmure Gordon and Co., stockbrokers to the company.

★

Mr D. I. Allen has become investment manager (UK equities) of UK PROVIDENT.

★

Mr Kunio Kanatani has taken over from Mr Sadao Hirano as general manager of the London branch of FUJI BANK. Mr Kanatani's most recent post was chief manager of the bank's Mitaka branch in Tokyo.

★

Mr Ken Davidson has been appointed director of operations for MANPOWER, of Slough, in addition to his position as director of human resources.

★

Mr P. A. Moore has been appointed general manager of TELEPHONE RENTALS from July 1. He will remain on the main board but relinquishes his position as sales director. Mr P. D. Hoole, regional manager, South East Region, is to become general sales manager on that date.

★

Mr Peter Hill-Wood has been appointed a non-executive director of MILLS AND ALLEN INTERNATIONAL. He is an executive director of Hambros Bank.

★

Mr Richard J. Trew has been appointed to the board of DUNDONIAN.

★

Mr Nigel C. Haygarth joins the board of LONDON CITY UNDERWRITING AGENCIES on July 1 as financial director.

★

General Sir Patrick Howard-Dobson has been appointed to the eastern counties regional board of LLOYDS BANK, which sits at Cambridge under the chairmanship of Mr M. G. Falcon. General Sir Patrick was formerly chief of defence staff (personnel and logistics).

★

Mrs Susan Williams has been appointed Lieutenant for the County of South Glamorgan in succession to Sir Hugo Boothby, who has resigned for health reasons.

# Carroll Inds. exceeds I£4m

PROFITS BEFORE tax of Carroll Industries, Dublin-based cigarette and tobacco manufacturer, increased from I£3.33m to £4.11m in the six months to March 31, 1981, on sales of £82.29m against £65.82m.

The directors are increasing the interim dividend from 1.75p to 2.25p net to reduce disparity—for the last full year a total of 5.25p was paid from profits of £6.65m. They say that results for the whole of the current year will depend on developments in the Irish economy and, in particular, the timing of the price increase in the tobacco division.

The group has produced a current cost profit and loss account for the half year, in which the pre-tax surplus is reduced to £2.52m (£2.74m). This, say the directors, shows clearly the serious effects of current levels of inflation in Ireland.

They add that the current cost of assets utilised at time of sale in the period exceeded their historical cost by some £1.5m, whereas in the corresponding six months last year the difference was only £0.6m.

The historical pre-tax profit was struck after associates' losses of £565,000 (£339,000) and net interest payable of £204,000 (£108,000). Tax took £847,000 (£531,000), giving earnings per 25p share of 8.8p (5.8p).

The attributable surplus emerged at £3.23m (£2.79m), of which the interim dividend absorbs £1.08m (£0.84m).

The group's tobacco division increased its market share in the first half, but the directors point out that retail prices are controlled, and cost increases can be recovered only after an order by the Minister for Industry, Commerce and Tourism has been obtained. Delays in this administrative process cost the group £260,000 in the period, and are currently costing £50,000 a week, they add.

The pharmaceutical division produced improved sales and profits, but print and packaging was hit by the effects of the recession on its customers. The Fieldcrest towel mill is also affected by the recession and is expected to show increased losses in the current year.

## BOARD MEETINGS

*The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.*

**TODAY**

*Interims*—Bakers Household Stores, Brooke Tool Engineering, Dundee and London Investment Trust, Grange Trust, Ernest Jones Jewellers, Nottingham Brick.

*Finals*—Bell and Sime, Bisichi Tin, Continental and Industrial Trust, Dawson International, Downs Surgical, Johnson Matthey, Scott's Restaurants, Tesco Stores.

**FUTURE DATES**

| | |
|---|---|
| *Interims*— | |
| Castlefield (Klang) Rubber Est. | June 24 |
| Killinghall (Rubber) Devpt. | June 24 |
| Lloyds Bank | July 17 |
| Throgmorton Trust | June 24 |
| *Finals*— | |
| Austin (E.) (London) | June 23 |
| Batanora Tea | June 23 |
| Brown and Tawse | June 29 |
| Electrocomponents | June 25 |
| Executex Clothes | June 25 |
| Jatel | June 25 |
| Kleen-E-Ze | June 26 |
| Lloyd (F. H.) | June 26 |
| Meyer (Montague L.) | July 9 |
| Milford Docks | June 18 |
| Norcros | June 26 |
| Paterson (R.) | June 23 |
| Road Consolidated Mines | June 25 |

# RTD Group I£0.32m loss

THE Dublin-based RTD Group, electroplater and manufacturer of generating sets, made a pre-tax loss for the year ended February 1981 of I£318,174 against a profit last year of £97,809. Turnover fell from £5.19m to £5.03m.

There is again no dividend for the year, and the loss per 20p share is stated at 5.5p compared with earnings of 1.8p.

The company says that break-even has been achieved in the first three months of trading. A weakening pound should encourage export growth for generator sets and motor accessories, whilst at home there has been an improvement in plating demand.

During the past year the remaining balance of long-term borrowing has been repaid. Debt factoring as a source of finance is currently being replaced by bank overdraft facilities which, in comparison, will yield worthwhile savings.

Economies have been instituted throughout the group and after fundamental reorganisation the company is financially secure and looks forward to a return to a satisfactory level of profitability.

The company received a tax credit of I£194,765 against a charge of £57,398.



MINING NEWS

# Israel's rough diamond imports fall sharply

BY KENNETH MARSTON, MINING EDITOR

REFLECTING the depression in the diamond trade and "indigestion" at the main cutting centres, Israel's imports of rough diamonds in the first five months of this year have dropped by over 50 per cent to a net 1.15m carats, worth $208m (£104m), compared with the same period of last year.

The latest caratage figure represents a fall of 50.8 per cent while the value is 56.3 per cent down on that of a year ago, reports L. Daniel from Tel Aviv.

The Israeli diamond cutting and polishing industry's problems of overstocking and a stagnant demand have been compounded by a reduction in February of 25 per cent in the volume of credit granted to the industry plus an increase in interest to about 70 per cent of the Eurodollar rate.

The country's exports of polished diamonds in the first five months of this year have been virtually unchanged in volume at 994,271 carats net, but the value of them has fallen by 18.8 per cent to $503m. This suggests that while the Israelis are managing to reduce their diamond stocks, they may be doing so at the cost of profits.

It is interesting to note that the country's exports rose sharply in May to a value of $110.6m which included a more than doubled $46m in shipments to the U.S. and a 34.7 per cent rise to $21m in those to Hong Kong.

Meanwhile the market for rough diamonds generally remains flat. In the polished goods, prices for the higher quality "investment grade" diamonds have weakened further and the asking price for the top grade D-Flawless stone of one carat is now reckoned to be in the region of $35,000 compared with a peak of about $63,000 in March 1980 and a little under $40,000 early this year.

But at the lower end of the polished diamond market a good demand is reported for the cheaper goods such as the melees which range in size up to about 14 points, or one-seventh of a carat, while prices have strengthened for the larger white pique (containing barely detectable imperfections) diamonds of some 60 points (there are 100 points to the carat and 142 carats to the troy ounce).

It would seem that while the market as a whole is far from being out of the wood yet, jewellers are taking advantage of buying opportunities which may not recur in the lower priced goods. But there are few signs of any improvement in the demand for better quality stones.

# New uranium find in Australia

THE JAPANESE Government-owned Power Reactor and Nuclear Fuel Corporation said yesterday that uranium indications found in Western Australia are the most encouraging so far in its worldwide exploration programme.

Recent drilling in the Yilgarn area, 560 miles east of Perth, has confirmed the presence of ore with a low uranium oxide (U3O8) content of at least 0.3 per cent.

The company's Australian subsidiary, PNC Exploration (Australia), has been prospecting in the area, a remote region east of the Kalgoorlie gold mining district, since late 1978.

The prospective reserve lies at the relatively shallow depth of about 30 metres, which would make it possible to mine by open-cut methods provided that the ore is present in sufficient quantities to warrant a mining operation.

As far as the quality is concerned, PNC Exploration said the deposit "showed promise to be commercially viable," but it would be two or three years before the feasibility of commercial production can be determined.

If the example of Pan-continental's huge Jabiluka deposit, discovered more than a decade ago and still not in production, is anything to go by, PNC could face a long wait before receiving Australian Government approval to develop its discovery.

Apart from Australia, the Japanese company has been searching for uranium in Canada and various African countries. The authorities are trying to develop alternative energy sources, including more nuclear power plants, in order to reduce Japan's dependence on imported oil.

# Energy-saving phosphate process

ISRAEL'S Government-controlled Negev Phosphate has developed a new product, "partially calcinated phosphate," the production of which is claimed to require only 30 per cent of the energy cost of conventional calcinated phosphate, reports our Tel Aviv correspondent.

The new product is stated to be almost identical with that so far produced, both in its properties and end-use possibilities. The new process will be applied at Oron, the first Negev phosphate field to be opened up in the early 1950s.

This field produces 450,000 tonnes a year of calcinated phosphate as well as 45,000 tonnes of defluorinated phosphates for phosphoric acid production. Israel's total phosphate output in 1980-81 amounted to 2.36m tonnes of which 90 per cent, worth $117m (£58.5m), was exported.

Negev Phosphate is to spend $19m in expanding production at its other phosphate fields and is also in the final stages of constructing a plant, "Rotem Fertilisers" which is due to come on stream this year.

It will have an annual capacity of 225,000 tonnes of phosphoric acid, 500,000 tonnes of sulphuric acid and 210,000 tonnes of compound fertilisers.

## OCCIDENTAL SAYS BLINA WELL IS COMMERCIAL

America's Occidental Petroleum Corporation, has reiterated that the Blina I oil discovery in Australia's Canning Basin is "a commercial well" according to Reuter.

Occidental said yesterday that two step-out wells will be drilled shortly to provide verification as to the extent of the field, discovered during May by a consortium comprising Occidental, with 27.5 per cent, Home Oil Australia, 27.5 per cent, Alberta Eastern Gas, 25 per cent and Vamgas, 20 per cent.

Occidental's statement was in response to what it described as "recent apparently conflicting news reports on the well." Blina I flowed oil at a rate of 907 barrels a day following a drill stem test of the interval between 4,600 ft and 4,489 ft. Subsequent tests of lower zones "have no relationship to the proven production zone" according to Occidental.

# Bishop's to benefit from reorganisation

Profitability of Bishop's Stores should benefit from improved operating facilities and lower reorganisation costs in the immediate future, says Mr. John H. Bradfield, chairman, in his annual statement.

On the other hand, the company faces continued fierce competition from "the giants" in a grocery market which remains virtually static in real terms.

As already reported, taxable profits for the year to June 5, 1981, fell from £1.2m to £0.93m on turnover of £157.32m (£143.8m). The final dividend is 2p net for a 4p maintained total.

## SHOPPING CENTRE PURCHASE

Bisichi Tin has acquired with London and Associated Investment Trust, as equal partner, a half share of a freehold shopping centre in South Yorkshire for £125,000 cash. Estimated net annual rents are £11,000.

Figures given relate to the company's half share in the property.

# Mid-range computer launched by IBM

By Our New York Staff

INTERNATIONAL Business Machines yesterday unveiled *the latest part of its strategy* for tackling the small computer market and also said it plans to make a $250m 25-year debenture issue.

It launched a new mid-range computer, cut prices on other units and said it would no longer offer leases on some models. The actions concern the System 38 and System 34 models which are at the top end of its small computer range.

The new offering, a Model 4 System 38 unit, is capable of storing 2 megabytes of information. A megabyte equals 1m characters. Its processing speed ranges up to 200 billionths of a second per item, which IBM says is the same as the company's more expensive Model I line.

The price for a typical Model 4 configuration of the System 38 will be $202,1000, with a lease price of $6.078 per month. Shipments will start in August.

Introduction of the new range has led to price cuts in the System 38 Model 3. The purchase price for this configuration is to be reduced by 16 per cent to $112,350, with a $3,181 lease cost.

System 34 computers will also be cut in price by between $5,000 and $6,000 per unit and IBM says it will no longer offer leasing facilities for System 34 units with storage capacities of 3.6, 13.2 and 27.1 megabytes.

IBM offers more widespread leasing facilities in the computer industry than any of its competitors, but is reacting to a trend towards simpler, off-the-shelf retailing practices now common in the marketing of small computers.

# Saudis raise Donaldson Lufkin stake

By Our Financial Staff

COMPETROL-BVI LIMITED said it boosted its stake in Donaldson Lufkin and Jenrette, the U.S. financial services group, to a total of 1,350,000 shares of common or 14.4 per cent from 11.4 per cent.

The company, a unit of Competrol Establishment based in New York and beneficially owned jointly by Khaled Ibn Abdullah Ibn Abdul Rahman Al Saud, a member of the Saudi royal family, and Mr Suliman S. Olayan said it acquired 350,000 shares on June 11 under a purchase agreement with Mr Robert Winthrop. The Saudi Arabians have an unconditional obligation to pay Mr Winthrop $3.8m.

# Sybron to sell division as part of restructuring

BY IAN HARGREAVES IN NEW YORK

SYBRON, the U.S. health product company, is to sell one of its largest divisions as part of a sweeping restructuring of *its operations.*

Sybron is looking for a buyer for its Pfaudler subsidiary, which makes glassed steel reactors and storage tanks for the chemical and food industries.

Pfaudler has 2,500 employees, of whom half work in Europe. Part of the Pfaudler process equipment business comprises the Henry Balfour Company of Fife, Scotland, which has 600 employees and which is up for sale along with Pfaudler.

The company said it plans a number of divestitures, acquisitions and relocations in its attempt to shake off a sluggish profits record.

Pfaudler is being sold because it is a relatively capital intensive business and because during the recent cyclical upturn *in its market, stemming from an* upswing in chemical industry plant investment, it had not performed as well as had been hoped.

The company has suffered severe price competition, especially from DeDetrich of France, which makes an almost identical range of products.

Last year, Pfaudler had operating profits of $12.4m on sales of $143.4m. The profit figure was unchanged from 1979.

Sybron, whose other interests include dental products, earned $23.5m last year on sales of $793m.

It has been existence only since 1968, but Pfaudler dates to the turn of the century. Henry Balfour has a history *stretching* back to the 19th century, when it was a manufacturer of glass coatings for the brewery industry.

● Humana, the hospital management group, boosted its net earnings by 38 per cent from $18.67m to $25.68m in its third quarter on revenues 22 per cent higher at $446m. Per share profits were up from 45 cents to 65 cents.

After nine months net profits were ahead at $67.58m compared with $47.8m in the May quarter of 1980. Revenues were up from $1.02bn to $1.27bn. Per share profits totalled $1.69 against $1.13.

# Heaven's Gate costs UA $40m

BY OUR NEW YORK STAFF

TRANSAMERICA, the parent company of United Artists, yesterday threw in the towel on Heaven's Gate, the motion picture which flopped disastrously at the box office, and said that it would write off the entire costs of the production.

These costs are estimated at $40m and the company said the write-off would lead to a second quarter loss for United Artists.

The latest write-off, however, will not affect the pending takeover of United Artists by MGM-Films. Under the terms of that $380m transaction, Transamerica had already agreed to absorb the costs

It is ironic, however, that the film should have been finally pronounced commercially hopeless soon after it received critical acclaim at the Cannes Film Festival.

In spite of the raptures of certain European critics, however, including the Financial Times film critic, the film has been a box office disaster in France, Belgium and Switzerland. In the U.S., the original version of the film was dismissed as a total failure and although the re-cut version shown at Cannes had a few admirers, it is no longer playing in New York and has had negligible following at the box office. United Artists yesterday could not give a tally of its gross box office takings so far.

British film enthusiasts will have the chance to make their own judgment later this year. The film is due to open in London in October.

Mr Fred Hift, United Artists' vice-president for international marketing, said the film had also received an initial warm welcome in Brazil and Japan, where audiences like action-oriented films and do not even despise out-of-favour Western, which Heaven's Gate is in part.

UA is no wbusily devising a new advertising campaign for the film which will re-package it not as a love story, as it was sold in America, but as a blood and thunder action spectacular.

"The picture has a lot of life to it. It may not be on the sophisticated level that Cimino (Michael Cimino, the director) would like, but we think it will do well in Latin America and the Far East," he said.

# Currency charges reduce Minnesota Mining profits

BY OUR FINANCIAL STAFF

THE STRENGTHENING of the dollar against other major currencies is hitting home at Minnesota Mining and Manufacturing (3M), which has forecast lower second quarter and possibly annual profits as a result of currency changes.

Mr Lewis W. Lehr, chairman of the diversified U.S. industrial company, said in Atlanta that results for the second quarter to June would be lower than the $157.3m, or $1.34 a share, reported last year, as a result of a 35 cents a share currency charge. The charge last year was 14 cents.

He also noted that total first half charges would be about 65 cents, with additional charges possible in the second half. As a result, earnings may not exceed last year's record $678m, or $5.78 a share, net profit.

However, with the exclusion of currency items, the company expects higher second quarter earnings and "good growth" for the full year, despite sluggish economies in the U.S. and abroad.

Mr Lehr said that for the 1980s the company should meet its goals of real growth of 10 per cent a year and pre-tax profit margins of more than 20 per cent of sales.

He pointed out that 3M had undertaken a major corporate restructuring, had refocused its marketing efforts and introduced programmes to increase productivity as well as product and service quality.

# U.S. textile group improves

By Our Financial Staff

WEST POINT-PEPPERELL, the U.S. textiles concern, showed a slight improvement in net profits for its third quarter to May 30 from $11.16m to $11.46m.

However, at the per share level results were down from $2.45 to $2.34 reflecting the greater number of shares issued. The company has warned that final quarter per share results will be below last year's comparable $2.42. The third quarter out-turn was a sharp improvement on the $1.76 a share of the second quarter.

After nine months net earnings were $32.37m against $31.42, although per share profits were off from $6.90 to $6.72.



# World Bank plans $400m Eurobond

By Francis Ghilès

THE WORLD Bank has mandated Deutsche Bank to arrange a *$400m five-year fixed* interest Eurobond. The borrower will pay a coupon of 14¼ per cent and the issue will be priced on June 23.

The issue brings the amount of money raised by the World Bank so far in its current fiscal year to $5.8bn and it still needs $800m to complete its programme for the full year which ends June 30.

Bank officials will not say how the remainder is to be financed, although they do point out that $200m is already in the pipeline. Part of this is expected to come from a Y20bn bond issue likely to be launched later this week.

Prices of fixed interest dollar bonds gained ⅜ point yesterday with dealers describing business as brisk. With more U.S. banks announcing cuts in their prime rates, the market is convinced that U.S. interest rates generally have further to fall.

The four fixed-interest dollar bonds launched on Monday appear to be meeting with a good reception though some in the market feel that the terms of the 14¼ per cent issue to 1986 for the Province of Quebec are a little on the tight side.

Prices of foreign D-Mark bonds gained ⅜ points yesterday before the German markets closed for a two-day holiday. With the next meeting of the Capital Markets Sub Committee due on Monday, German bankers said they were not sure whether, despite the good tone of the market, a new foreign D-Mark bond could be launched this Friday. The 10¼ bond to 1991 for Girozentrale was priced at 1.1 by Westdeutsche Landesbank.

Swiss franc bonds gained ¼ yesterday as the $75m issue for Norges Kommunalbank was widely anticipated to be announced today, through Gutzwiller, Kurz Bungener.

A Y15bn five-year Euroyen bond for New Zealand was announced by Daiwa Securities. The borrower is paying a coupon of around 8¼ per cent and the issue is expected to be priced on June 26.

Dainippon Ink and Chemicals, Japan's largest manufacturer of printing ink, has decided to call off plans to issue convertible debentures amounting to $50m in the U.S. market because of the high level of interest rates. The company says that it is considering turning to the Euromarket to raise the money. However, this borrower is not expected to tap the market before July.

# Amax sells Adobe shares

By Our Financial Staff

WILLIAMS COMPANIES, the fertilisers, metals services and oil and gas exploration group, has agreed to buy Amax's 30 per cent inteerst in Adobe Oil and Gas for about $105m.

Amax had said earlier that it was seeking to sell the stake after it failed to reach agreement with Adobe on merger proposals.

Williams Companies, which is the largest independent common carrier pipeline operator in the U.S., said it had bought Adobe stake as an investment but was holding talks with the company to find if any "mutually beneficial association" could be reached.

Williams holds 27.5 per cent of Peabody Coal Company, the largest U.S. coal producer.

# Continental court action

LOS ANGELES—Continental Air Lines argued in Federal Court here against granting the injunction sought by Texas International Airlines to block Continental employees from their takeover plan.

U.S. District Judge Lawrence Lydick is expected to rule by Thursday on the injunction request by the Texas carrier, which is pursuing an attempt to acquire Continental.

Continental officials said the injunction would thwart the employee plan because it would give Texas International the time to obtain Civil Aeronautics Board approval to acquire control of Continental.

Texas International officials told the court that the Continental employee plan violates federal laws and would damage the value of Continental's stock.

Reuter

# Allied Stores

Allied Stores, the major U.S. department store chain, expects higher sales and earnings for the fiscal year ending January, 1982, Mr Thomas Macioce, president said yesterday, AP-DJ reports. For the year ended January 31, Allied Stores earned $83.9m or $4.11 a share on sales of $2.27bn.

## GERMANS ATTACK COOK DEAL

# Travel cheque row flares

BY ALAN FRIEDMAN

EUROPEAN BANKERS are generally noted for their air of calm, but on Friday morning a senior group of these gentlemen will converge on Brussels for a meeting which could re*sult in some excitement.*

At stake is the future of several European retail banking services such as travellers cheques and payment cards. The occasion will be a board meeting of Euro Travellers Cheque International (ETCI), the consortium of leading banks in the UK and on the Continent which has been planning to take over the Thomas Cook travellers cheque business and develop a uniform European system.

The meeting would have been no more than routine but for a dispute within German banking circles which has now burst out into the open and is threatening the entire ETCI framework.

ETCI was set up specifically to develop a uniform travellers *cheque system for Europe.* One of its key founders was Dr Eckart van Hooven, a Deutsche Bank director who has helped to mastermind a number of European payment systems.

At issue this week is the future of a deal between Midland Bank and ETCI under which Midland has agreed to sell its Thomas Cook business to the European group for around £14m (U.S.$28m). The deal was approved more than a year ago by the board of ETCI and plans have been underway since for ETCI to convert the Cook system into its own.

ETCI has even entered into negotiations with Mastercard, the international credit card and cheque group, to link the new Cook-ETCI cheque business with Mastercard's recently-launched travellers cheques. At a recent bankers' conference in Monte Carlo this joint venture plan was hailed as a symbol of ETCI's international potency.

But in the last few days a major controversy has developed among German banks because of opposition from the German Savings Banks Association to the purchase of Thomas Cook. Herr Helmut Geiger, the chairman of the Savings Bank Association, explained yesterday: "We *have* an understanding with American Express to sell their travellers cheques and we wish to continue it."

Herr Geiger was referring to an understinding reached a few weeks ago between American Express (Amex) and the savings banks which provides for preferential selling of Amex cheques. In the wake of the Cook-ETCI deal last year, Amex has been aggressively pursuing a number of separate deals with European banks, and it has been quite successful.

**ALLOCATED SHAREHOLDINGS WITHIN EURO TRAVELLERS CHEQUE (ETC)**

| Country | % |
|---|---|
| UK | 20 |
| West Germany | 20 |
| Switzerland | 10 |
| France | 8 |
| Netherlands | 8 |
| Belgium | 4 |
| Denmark | 4 |
| Austria | 2 |
| Norway | 2 |
| Portugal | 2 |
| Sweden | 2 |
| Luxembourg | 1 |
| Sub-total | 83 |
| Held in trust for other countries | 17 |

Source: ETC

Yesterday, Herr Geiger said he was dispatching Herr Wolfgang Starke, his managing director, to attend the Brussels meeting on Friday. Herr Starke would arrive in Brussels armed with the knowledge that German savings banks have 17,000 branches in Germany and more than 50 per cent of the private banking customers in the country.

"For our customers, travellers cheques are not so important," said Herr Geiger. He also added that Germany needs a cheap system and Thomas Cook would require too large an investment.

This opposition to the ETCI-*Cook deal has put Dr Eckart van* Hooven on the spot. He is a board member of ETCI and the Savings Bank Association is not. But he is seeking "unity" in German payments systems and must come up with a formula acceptable to his fellow German bankers.

Says Dr van Hooven: "We have to acknowledge the fact that the German savings banks do not favour the Cook deal. What Dr van Hooven did not say is that there are several leading German bankers who would prefer to substitute American Express for Cook.

With its 20 per cent shareholding allocation in ETCI, Germany is a key member of the board. The UK has been allocated a further 20 per cent. This is held by Midland Bank, which still owns Thomas Cook.

Mr David McWilliam, chief executive of ETCI, is the last of the key players in this drama. Last weekend he described the present situation as a "crisis." He said it had developed because of Germany's reconsideration of a decision already taken by ETCI.

Yesterday, Mr. McWilliam acknowledged that if Germany withdraws its support for the Cook deal, "it could very much change all of Europe's payment systems."

This was because of links between Mastercard and both ETCI and Eurocard, the charge card system. If ETCI-Cook collapsed, said Mr McWilliam, it could damage the future of Eurocard as well.

As a result, Friday's meeting will be "open" and non-board members may attend. Mr. McWilliam is looking for "a European initiative." But before Europe can compete in the $35bn a year travellers cheque world market, it will first have to put its own house in order."

# FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Monday July 13.

Closing prices on June 16

| U.S. DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Am. Air. 15⅞ 86 (WW) | 55 | 100¾ | 101½ | +0¼ | +0⅝ | 14.85 |
| Amoco 13¾ 88 | 75 | 95⅞ | 96⅜ | +0¼ | +0⅝ | 14.14 |
| CIBC 14½ 84 | 185 | 98½ | 99 | +0⅝ | +0⅞ | 15.08 |
| CIBC 15⅝ 88 | 75 | 101⅝ | 101¾ | +1½ | +1½ | 14.79 |
| CNE 12¾ 91 | 100 | 89⅜ | 89⅞ | 0 | +0⅜ | 14.80 |
| Citicorp O/S 12 87 | 200 | 91½ | 92 | +0¼ | +0⅜ | 14.01 |
| Citicorp O/S 15½ 84 | 175 | 100¾ | 101¼ | +2⅜ | +2⅜ | 15.06 |
| Con. Illinois O/S 9¾ 86 | 150 | 83⅞ | 84⅜ | +0¼ | +0⅝ | 14.38 |
| Dupont Canada 13½ 91 | 65 | 96⅝ | 97⅛ | +0⅞ | +0½ | 14.07 |
| EIB 12¾ 88 | 75 | 90 | 90½ | 0 | +0⅜ | 16.92 |
| Eldorado 13⅞ 86 | 50 | 95 | 95½ | +0¼ | +1 | 14.66 |
| Elec. de France 13 88 | 125 | 93⅞ | 93⅜ | +0¼ | +0⅞ | 14.58 |
| Export Dv. Cpn. 9½ 86 | 150 | 83 | 83½ | 0 | +0⅜ | 14.73 |
| Fed. Bs. D. 12¼ 85 (N) | 50 | 92¾ | 93¼ | +0⅞ | +0⅝ | 14.44 |
| Fed. Bs. D. 15⅜ 84 (J) | 40 | 101⅛ | 101⅝ | +0⅜ | +0½ | 15.14 |
| Fin. Exp. Credit 10⅝ 85 | 50 | 85 | 85½ | +0¼ | +0⅞ | 15.69 |
| Finland, Rep. of 9½ 86 | 100 | 80⅝ | 91¼ | +0⅞ | +0⅝ | 15.43 |
| Ford Cr. O/S Fin. 16 84 | 150 | 102⅜ | 102⅞ | +0¼ | −0⅛ | 14.62 |
| Gaz de France 13½ 86 | 90 | 96½ | 97 | +0⅜ | +0½ | 14.45 |
| GMAC O/S Fin. 12 87 | 100 | 88⅝ | 89¼ | 0 | +0⅜ | 14.76 |
| GMAC O/S Fin. 12⅞ 88 | 100 | 91⅞ | 92⅜ | +0⅜ | −0¼ | 14.77 |
| Gen. Mtrs. O/S 11⅝ 87 | 100 | 88⅜ | 89¼ | +0⅝ | +0⅜ | 14.47 |
| Genstar 14⅜ 91 | 50 | 98⅜ | 99¼ | 0 | 0 | 14.92 |
| GTE Fin. 13⅜ 86 (WW) | 50 | 96⅝ | 97⅛ | +0⅞ | +0⅜ | 14.66 |
| Hiram Walker 16 86 | 50 | 102⅝ | 103⅛ | +0⅝ | +0⅜ | 15.12 |
| IBM Wld. Trade 12½ 88 | 200 | 96½ | 97 | −0⅜ | −0⅜ | 13.22 |
| Newfoundland 13½ 90 | 60 | 95½ | 95⅝ | +0⅜ | +1 | 14.43 |
| Nova Scotia 10⅜ 90 | 50 | 82½ | 83 | +0¼ | −0⅛ | 14.24 |
| OKB 10 85 | 50 | 86½ | 87 | +0¼ | +0⅞ | 14.51 |
| Ontario Hydro 13½ 91 | 100 | 95½ | 96 | +0½ | +0⅜ | 14.30 |
| Quebec Hydro 11½ 92 | 100 | 83¼ | 83¾ | +0⅞ | +0¼ | 14.60 |
| Queb. Hy. 13 91 (WW) | 100 | 89⅜ | 89⅞ | +0⅜ | +0⅜ | 15.07 |
| Royal Bk. Canada 14 86 | 100 | 99 | 99½ | +0¼ | +1 | 14.19 |
| SNCF 13 91 | 75 | 92 | 92½ | +0½ | +0⅜ | 14.50 |
| Sth. California Ed. 14 87 | 50 | 98⅝ | 98⅝ | −0⅛ | −0⅛ | 14.39 |
| Sven Handlsbk. 13⅜ 88 | 45 | 94⅞ | 94⅞ | +0⅞ | +1⅜ | 15.03 |
| Sweden 12⅝ 85 | 150 | 92 | 92½ | 0 | +0½ | 14.91 |
| Swed. Ex. Credit 13 86 | 75 | 92⅜ | 92⅞ | +0⅜ | +1¼ | 15.28 |
| Swed. Ex. Cred. 15⅜ 86 | 50 | 101 | 101½ | +0⅜ | +1½ | 15.36 |
| Tordom Corpn. 15½ 86 | 25 | 101⅝ | 102⅛ | +0⅜ | +0½ | 14.94 |
| Toronto-Dom. Bk. 14 84 | 50 | 97½ | 98 | +0¼ | +0⅞ | 14.97 |
| Tribune O/S Fin. 14 86 | 50 | 97 | 97½ | +0¼ | +0⅞ | 14.79 |
| Wells Fargo Int. 15½ 84 | 60 | 100⅞ | 101¼ | +0⅜ | +0⅜ | 15.01 |
| World Bank 9⅜ 85 | 200 | 86 | 86½ | +0⅜ | +0⅜ | 14.52 |
| World Bank 10¼ 87 | 300 | 84¼ | 84⅞ | +0¼ | +0½ | 14.23 |

Average price changes... On day +0⅜ on week +0⅝

| DEUTSCHE MARK STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Asian Dev. Bank 10 91 | 100 | 98 | 99⅜ | +0½ | +2⅜ | 10.09 |
| Austria, Rep. of 8⅜ 92 | 150 | 86¼ | 87 | +0¼ | +1 | 10.29 |
| CECA 7⅞ 92 | 150 | †86 | 86½ | +0½ | +1½ | 9.96 |
| CECA 10 91 | 120 | †101 | 101⅜ | 0 | +1¼ | 9.76 |
| CII-Honeywell 8⅜ 90 | 125 | †88⅜ | 89½ | +0½ | +2 | 10.28 |
| Council of Europe 10 91 | 100 | 99⅜ | 100½ | 0 | +1½ | 10.03 |
| EIB 8½ 90 | 200 | 89¼ | 90 | +0¼ | +1⅞ | 10.26 |
| *EIB 10½ 91* | 200 | †100⅜ | 101½ | 0 | +1⅜ | 10.30 |
| ESCOM 9¼ 87 | 100 | 91⅝ | 92⅜ | +0⅜ | +0⅞ | 11.04 |
| Finland, Rep. of 10 89 | 100 | 98⅜ | 99⅜ | +0⅜ | +1⅜ | 10.18 |
| Iberduero SA 9 90 | 100 | †89 | 89⅞ | +1⅛ | +2⅜ | 10.89 |
| Ind. Bk. Finland 8½ 90 | 50 | †88¾ | 89½ | +0½ | +0⅜ | 10.35 |
| Int.-Am. Dv. Bk. 10 91 | 100 | †100¾ | 101 | +0⅜ | +1⅞ | 9.88 |
| Japan Air Lines 8⅜ 87 | 100 | 92⅜ | 92⅞ | +1½ | +2⅜ | 9.73 |
| Japan Dev. Bk. 7⅜ 87 | 100 | 87⅜ | 88½ | −0⅜ | +1⅜ | 10.29 |
| Kobe, City of 8 90 | 100 | 87⅜ | 88⅜ | +1⅛ | +2½ | 10.08 |
| Midland Int. Fin. 8½ 90 | 150 | 89¼ | 90 | +0⅜ | +1⅞ | 10.26 |
| Nuclebras 9¾ 88 | 100 | †85⅞ | 86 | 0 | −0⅝ | 12.89 |
| OKB 8¼ 92 | 150 | †85½ | 86⅜ | +0½ | +1⅜ | 10.46 |
| Oslo, City of 8⅞ 90 | 80 | 90⅝ | 91⅜ | +0⅜ | +0⅜ | 10.35 |
| Venezuela, R. of 9⅜ 90 | 150 | 94⅜ | 95⅞ | +1⅛ | +2⅜ | 10.64 |
| World Bank 8 90 | 700 | 86⅜ | 87½ | +0⅜ | +3½ | 10.23 |
| World Bank 10 86 | 150 | 100⅜ | 100⅝ | −0⅜ | +0⅞ | 9.85 |

Average price changes... On day +0⅜ on week +2

| SWISS FRANC STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Aeroport Paris 6½ 91 | 80 | 95 | 96 | +1⅜ | +1⅜ | 7.15 |
| BFCE 6½ 91 | 100 | 94¼ | 94½ | +0¼ | −0¼ | 7.32 |
| Bayet Int. Fin 6¼ 92 | 100 | 90 | 90⅜ | +0¼ | −3⅜ | 6.51 |
| Bergen, City of 6⅞ 91 | 40 | 99 | 99⅜ | −0⅛ | +0⅜ | 6.87 |
| Bhrmn.-Tetterode 7 90 | 40 | 98⅜ | 99 | 0 | +0⅜ | 7.17 |
| CECA 6⅜ 91 | 80 | 95⅜ | 96 | +0⅜ | 0 | 7.36 |
| Denmark 5⅜ 90 | 80 | 87 | 88 | −0⅜ | +0⅜ | 7.72 |
| Dome Petroleum 5¾ 91 | 100 | 94½ | 94⅜ | +0⅜ | 0 | 6.51 |
| Elet. de France 5⅞ 90 | 100 | 89 | 89½ | +0⅜ | +0⅛ | 6.85 |
| Eurofima 5⅜ 92 | 80 | †98½ | 99⅜ | +0½ | +0½ | 5.87 |
| F. G. H. Hypo. Bk. 6 90 | 50 | 94 | 94½ | +1⅛ | +1⅜ | 6.88 |
| Finland, Rep. of 5⅜ 90 | 80 | 89 | 89½ | +5⅜ | +3⅜ | 7.27 |
| Franc. Petroles 6½ 91 | 80 | 96¼ | 96½ | −0¼ | +0⅜ | 7.02 |
| Genstar 7 91 | 100 | 102 | 102⅜ | +0⅜ | +0¼ | 6.70 |
| Int.-Amer. Dv. Bk. 7 91 | 100 | 98½ | 98⅜ | 0 | +0⅜ | 7.19 |
| Japan Dev. Bank 5⅜ 90 | 100 | 94 | 94½ | −0⅜ | +1⅜ | 6.59 |
| Mt. Blanc Tunnel 5½ 90 | 60 | 89⅜ | 90 | −0¼ | +2⅜ | 7.02 |
| Newag 5⅞ 90 | 80 | 91 | 91½ | +0½ | +0⅜ | 7.09 |
| OKB 7 93 | 100 | 98½ | 98⅜ | −0⅜ | −1 | 7.05 |
| Oslo, City of 5⅞ 90 | 80 | †92½ | 93 | +0⅜ | +2⅜ | 6.95 |
| Philips Lamps 5⅜ 92 | 100 | 88 | 89 | +0½ | +1½ | 6.78 |
| Swed. Ex. Cred. 7¼ 91 | 75 | 97⅜ | 97⅜ | +0⅜ | +0⅜ | 7.67 |
| Trade Dev. Fin. 6⅞ 90 | 50 | 91½ | 92 | 0 | −0⅜ | 7.38 |
| Voest-Alpine 5⅜ 90 | 80 | 89⅜ | 89⅞ | +0⅜ | +0½ | 7.30 |
| World Bank 6 91 | 100 | 93⅜ | 94 | +0⅜ | +3⅜ | 6.88 |
| World Bank 7 90 | 100 | 101½ | 101⅜ | 0 | +1 | 6.74 |

Average price changes... On day +0⅜ on week +0⅜

| YEN STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Asian Dev. Bk. 8⅜ 91 | 15 | 98 | 99 | 0 | 0 | 8.47 |
| Australia 8½ 88 | 20 | 85½ | 86½ | 0 | +0⅜ | 9.33 |
| EIB 7⅜ 89 | 12 | 91⅞ | 92⅞ | 0 | +0⅜ | 9.16 |
| Finland 5 8 88 | 10 | 90⅜ | 91⅜ | 0 | +0⅜ | 9.82 |
| Finland 6 8 88 | 10 | 85⅜ | 86⅜ | 0 | +0⅜ | 9.64 |
| Finland, Rep. of 8⅜ 87 | 15 | 97⅜ | 98⅜ | 0 | +0⅜ | 8.76 |

Average price changes... On day 0 on week +0⅜

| OTHER STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Bell Canada 10⅜ 86 C$ | 60 | 87⅜ | 88⅜ | −0⅜ | 0 | 14.19 |
| CIBC 13½ 86 C$ | 50 | 94 | 95 | −0⅜ | +0⅜ | 15.45 |
| CIBC 11½ 86 C$ | 60 | 86⅞ | 87⅞ | −0⅜ | +0⅜ | 15.92 |
| Federal Dev. 11½ 90 C$ | 60 | †81⅜ | 82⅜ | 0 | +0⅜ | 15.24 |
| Fst. Can. Inv. 10 84 C$ | 50 | †86 | 87 | 0 | +0⅜ | 15.14 |
| R. Bk. Canada 10 86 C$ | 40 | †89 | 90 | −0½ | −0½ | 13.03 |
| Tordom Cpn. 13½ 86 C$ | 30 | *94 | 95 | 0 | +0⅜ | 15.45 |
| M. Bk. Dnmk. 9 91 EUA | 25 | 87⅜ | 88½ | −1⅜ | −1⅜ | 10.99 |
| SOFTE 8¾ 89 EUA | 40 | 87¼ | 88½ | 0 | −0⅜ | 10.60 |
| *U. Bk. Nwy. 9½ 90 EUA* | 18 | 86 | 97 | 0 | −0⅜ | 10.11 |
| Algemene Bk. 10⅜ 86 Fl | 60 | 95⅜ | 95⅞ | +0⅜ | +0⅞ | 11.47 |
| Bk. Mees & H. 10 85 Fl | 75 | 94⅞ | 94⅜ | +0⅜ | +0⅞ | 11.78 |
| Heineken NV 10 87 Fl | 100 | 93⅜ | 94½ | +0⅜ | +0⅜ | 11.44 |
| Nat. Nedrlnde. 10 88 Fl | 60 | 94½ | 95 | 0 | +1 | 11.13 |
| Ned. Midd. Bk. 10 85 Fl | 75 | 93⅜ | 94⅜ | +0⅜ | −0⅜ | 11.65 |
| Pierson 10⅜ 86 Fl | 50 | 94⅜ | 95⅜ | +0½ | +0½ | 11.69 |
| Air France 14½ 86 FFr | 200 | 91⅝ | 92⅜ | +0⅜ | −0⅜ | 16.97 |
| Bk. America 14½ 86 FFr | 250 | 90 | 91 | −0⅜ | −1⅜ | 17.51 |
| Charb'nages 13⅞ 85 FFr | 400 | 90⅞ | 91⅞ | 0 | −0⅜ | 16.66 |
| EIB 14½ 88 FFr | 300 | 86¼ | 87¼ | +0⅜ | −3⅞ | 17.61 |
| La Redoute 14⅜ 85 FFr | 125 | 88 | 89 | −0⅜ | −1⅜ | 18.22 |
| OKB 14 86 FFr | 400 | 91⅝ | 92⅜ | +0⅜ | −0⅜ | 16.47 |
| Solvay et C. 14⅜ 86 FFr | 200 | 99⅜ | 100⅜ | −0⅜ | −0⅜ | 14.81 |
| Swed. E. C. 14⅜ 86 FFr | 250 | 90⅜ | 91⅜ | −0⅜ | −1⅞ | 17.57 |
| U. Mex. Sts. 14 85 FFr | 150 | 89⅜ | 90⅜ | +0⅜ | −1⅜ | 17.86 |
| Acona 14 85 £ | 20 | 94⅜ | 95⅜ | 0 | +0⅜ | 15.84 |
| *Beneficial 14⅜ 90 £* | 20 | 87⅜ | 88⅜ | +0⅜ | +1⅜ | 16.81 |
| BNP 13½ 91 £ | 15 | 90⅜ | 91½ | −0⅜ | +0⅞ | 15.27 |
| CECA 13½ 88 £ | 20 | 91⅜ | 92½ | +0⅜ | +1⅜ | 15.30 |
| *Citicorp O/S 13½ 90 £* | 50 | 93⅜ | 94½ | 0 | +1½ | 14.70 |
| Fin. Ex. Cred. 13⅜ 86 £ | 15 | 93⅜ | 94⅜ | 0 | +0⅜ | 15.65 |
| Gen. Elec. Co. 12⅜ 89 £ | 50 | 88⅜ | 89⅜ | +0⅜ | +0⅜ | 14.95 |
| Hiram Walker 14⅜ 86 £ | 25 | 95⅞ | 96⅜ | +0⅜ | +1⅜ | 15.36 |
| Privatbanken 14½ 88 £ | 12 | 91⅞ | 92⅜ | +0⅜ | +1½ | 16.43 |
| Rothschild 14⅜ 90 £ | 12 | 94⅜ | 95⅜ | −0⅜ | +0⅜ | 15.32 |
| Royal Trustco 14 86 £ | 12 | 95⅜ | 96⅜ | +0⅜ | +0⅜ | 15.19 |
| Swed. Ex. Cr. 13⅜ 86 £ | 20 | 94⅜ | 95⅜ | +0⅜ | +0⅜ | 15.33 |
| *Banobras 8⅜ 90 KD* | 7 | †90 | 90½ | 0 | 0 | 9.85 |
| CCCE 8⅜ 91 KD | 10 | †82⅜ | 83⅜ | 0 | 0 | 11.05 |
| Sonatrach 8½ 90 KD | 12 | †93 | 93½ | 0 | 0 | 9.68 |
| Akzo 9⅜ 87 LuxFr | 500 | 89⅜ | 90⅜ | +0½ | +3⅜ | 11.56 |
| Euratom 9⅜ 88 LuxFr | 500 | 86⅜ | 87⅜ | 0 | −1⅜ | 12.82 |
| Eurofima 10½ 87 LuxFr | 500 | 90⅞ | 91⅞ | −0⅜ | −0⅜ | 12.52 |
| EIB 9⅜ 88 LuxFr | 600 | 89⅜ | 90⅜ | −0⅜ | −0⅜ | 12.03 |
| Volvo 9⅜ 87 LuxFr | 500 | 86⅜ | 87⅜ | 0 | +0⅞ | 12.76 |

| FLOATING RATE NOTES | Spread | Bid | Offer | C.dte | C.cpn | C.yld |
|---|---|---|---|---|---|---|
| Bank of Montreal 5¼ 90 | 0¼ | 99⅜ | 99⅞ | 18/6 | 19½ | 19.57 |
| Bank of Tokyo 5⅜ 89 | ‡0⅜ | 98⅜ | 99⅜ | 25/7 | 16½ | 16.69 |
| BBL Int. 5 86 | 0⅜ | 99⅞ | 100⅜ | 20/11 | 18.31 | 18.29 |
| BNP 5½ 88 | ‡0¼ | 99 | 99½ | 29/7 | 16.44 | 16.56 |
| CNT 5⅜ 88 | §0⅜ | 99⅜ | 99⅞ | 16/10 | 15.81 | 15.88 |
| Christiania Bk. 5½ 91 | ‡0¼ | 98 | 98½ | 5/8 | 17.31 | 17.62 |
| Citicorp O/S Fin. 94 | ‡0 | 98⅜ | 99⅜ | 30/6 | 18⅞ | 19.09 |
| C. Itoh 5⅜ 87 | 0⅜ | 98⅜ | 99⅜ | 18/9 | 15.44 | 15.59 |
| Co-operative Bk. 6 86 | 0¼ | 99⅞ | 100⅜ | 15/11 | 19.56 | 19.54 |
| Den Norske Credit 6 90 | ‡0¼ | 98⅜ | 99¼ | 5/8 | 17.31 | 17.49 |
| Genfinance 5⅜ 87 | 0⅜ | 98⅞ | 99⅜ | 30/10 | 16.94 | 17.09 |
| Giro und Bank 5⅜ 91 | ‡0¼ | 98⅞ | 98⅞ | 23/6 | 14.06 | 14.26 |
| GZB 5½ 89 | ‡0¼ | 98⅜ | 99⅜ | 1/8 | 17.31 | 17.49 |
| GZB 5⅜ 92 | ‡0¼ | 98⅜ | 99⅜ | 5/9 | 17¼ | 17.42 |
| Ind. Bank Japan 5⅜ 87 | 0⅜ | 99⅜ | 99⅞ | 15/10 | 17.06 | 17.13 |
| Ind. Bank Japan 5⅜ 88 | 0⅜ | 98⅞ | 99⅜ | 9/10 | 16.44 | 16.58 |
| Lloyds Eurofin 8 90 £ | 0⅜ | 96⅞ | 97⅜ | 3/7 | 14½ | 14.93 |
| Lloyds Eurofin 5⅜ 92 | 0⅜ | 99⅜ | 99⅜ | 4/12 | 17.44 | 17.53 |
| *LTCB Japan 5⅜ 86* | 0⅜ | 99⅜ | 100⅜ | 13/12 | 17⅜ | 17.27 |
| Man. Hanov. O/S 5⅜ 94 | ‡0⅜ | 99½ | 100 | 30/8 | 19.06 | 19.11 |
| Merrill Lynch O/S 87 | 0⅜ | 100⅜ | 100⅞ | 7/8 | 20.44 | 20.31 |
| Midland Int. Fin. 5⅜ 92 | 0⅜ | 99⅜ | 99⅞ | 5/12 | 17⅜ | 17.44 |
| Midland Int. Fin. 9 91 | 0⅜ | 98⅜ | 98⅜ | 30/10 | 16.81 | 17.09 |
| Nacional Fin. 6⅜ 86 | 0⅜ | 99 | 99½ | 25/7 | 17⅜ | 17.88 |
| Nacional Fin. 5½ 88 | 0⅜ | 96⅞ | 97⅜ | 25/9 | 14⅞ | 15.32 |
| Nat. Bk. Canada 5⅜ 88 | 0⅜ | 97⅜ | 98⅜ | 24/9 | 14½ | 14.80 |
| Nat. West. 5⅜ 94 | §0⅜ | 97⅞ | 98⅜ | 14/10 | 16.19 | 16.50 |
| Nat. West. 5⅜ 92 | §0⅜ | 97⅞ | 98⅜ | 23/10 | 16.81 | 17.11 |
| Pemex 6 91 | 0⅜ | 97⅜ | 97⅜ | 8/10 | 15.31 | 15.73 |
| Sparebanken 6 87 | 0⅜ | 98⅞ | 99⅜ | 19/6 | 19⅞ | 20.05 |
| Standard Chart. 5⅜ 90 | 0⅜ | 98⅞ | 99⅜ | 3/9 | 17.06 | 17.21 |
| Svenska Hndlsbk. 5 87 | 0⅜ | 99⅜ | 99⅞ | 15/7 | 17.81 | 17.88 |

Average price changes... On day 0 on week +0⅞

| CONVERTIBLE BONDS | Cnv. date | Cnv. price | Bid | Offer | Chg. day | Prem |
|---|---|---|---|---|---|---|
| Bow Valley Inv. 8 95 | 4/81 | 23.12 | 100 | 101⅜ | +0½ | 15.76 |
| Canon 6⅜ 95 | 1/81 | 829 | 179⅜ | 181¼ | −0⅜ | −1.24 |
| Credit Suisse 4⅜ 93 | 10/79 | 1236 | 84 | 86 | −0⅜ | −4.08 |
| Digicon Fin. 8½ 95 | 10/81 | 29.5 | 106 | 107⅜ | 0 | 8.91 |
| Fujitsu 5½ 96 | 7/81 | 732 | 106 | 107 | −2⅜ | 7.53 |
| Hanson O/S Fin. 9½ 96 | 8/81 | 2.74 | 95⅜ | 97⅜ | +3⅜ | 2.26 |
| Ins Overseas 8⅜ 2000 | 4/81 | 42 | 118 | 119⅜ | +2⅜ | −0.85 |
| Inchcape 8 95 | 2/81 | 4.65 | 82 | 83½ | +4 | 2.80 |
| Kotobukiya Co. 7 96 | 4/81 | 619 | †98½ | 99½ | −1⅜ | −2.09 |
| Marion Int. Fin. 9 95 | 12/80 | 15.5 | 81 | 82⅜ | −0⅜ | 20.40 |
| Matsushita El. 7½ 95 | 11/80 | 590 | 102⅞ | 103⅞ | +0⅜ | −0.08 |
| NKK 6½ 96 | 7/81 | 188 | 113⅜ | 114⅜ | +6½ | 19.71 |
| Ricoh 6⅜ 95 | 8/80 | 604 | 140⅜ | 141½ | −0⅜ | −2.28 |
| Sumitomo M. Ind. 7 95 | 2/81 | 181 | 153½ | 154⅜ | −1⅜ | 1.27 |
| Swiss Bk. Cpn. 6⅜ 90 | 9/80 | 200 | 76 | 78 | +2 | 23.41 |
| Taylor Woodrow 8⅜ 90 | 1/81 | 4.94 | 90 | 91½ | +1⅜ | 0.15 |
| Tokyu Land Cpn. 7⅜ 96 | 4/81 | 325 | 101 | 102 | −0⅜ | 12.90 |
| Transco Int. 8⅜ 95 | 2/81 | 68 | 82 | 83½ | −0⅜ | 37.24 |
| Tricorp 8½ 95 | 12/80 | 31.25 | 82½ | 84 | −0½ | 18.25 |
| Union Bk. Switz. 5 89 | 2/80 | 70.75 | 75⅜ | 76⅞ | +2⅞ | 2.44 |
| Fujitsu 5 84 DM | 7/79 | 431.5 | 196⅜ | 197⅜ | −3 | −2.75 |
| Sharp Cpn. 6½ 86 DM | 9/80 | 595 | 191⅜ | 192½ | 0 | −0.31 |
| Uny Co. 6½ 85 DM | 11/79 | 879.3 | 120 | 121 | +0½ | −2.65 |

* No information available—previous day's price.

† Only one market maker supplied a price.

**Straight Bonds:** The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

**Floating Rate Notes:** Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

**Convertible Bonds:** Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

# Weaker D-Mark brings orders boom for Krupp

BY JONATHAN CARR IN BONN

FRIED KRUPP, the diversified West German industrial group, is enjoying an orders boom, thanks to increased foreign demand influenced by the fall in the D-Mark.

On the other hand, Krupp faces continued losses in steel and shipbuilding—the two sectors which last year forced down group net profit to DM 98m ($42m) from DM 119m in 1979.

Krupp said that in the first five months this year total external orders (excluding orders between the group's own companies) rose by 37 per cent against the same period of 1980, to DM 8.4bn.

By far the biggest surge came in the industrial plant and mechanical engineering, where orders more than doubled to DM 4.1bn. But Krupp's trading and services sector also booked deals worth DM 2.6bn, a rise of 55 per cent. Overall sales were up by 7 per cent.

Despite these successes, which match current developments throughout much of the German mechanical engineering industry, Dr Wilhelm Scheider, Krupp's executive board chairman, sounded a note of caution.

He stressed that part of the orders boom involved contracts long under negotiation which had now been clinched largely because of the price advantage caused by the dwindling D-Mark, which has fallen against the dollar by about 30 per cent over the last 18 months.

The implications are both that this boom in foreign demand will not be matched by a similar surge in profits, and that a currency-induced increase in business may prove fairly short-lived.

**FIVE-MONTH SALES**

| | DMbn | Percentage change |
|---|---|---|
| Steel | 2.5 | −7 |
| Shipbuilding | 0.17 | +62 |
| Engineering | 1.4 | +30 |
| Trade and services | 1.8 | +9 |
| Less intra-group | 0.67 | +4 |
| External sales | 5.2 | +7 |

**ORDERS**

| | DMbn | Percentage change |
|---|---|---|
| Steel | 2.6 | −11 |
| Shipbuilding | 0.15 | −35 |
| Engineering | 4.1 | +102 |
| Trade and services | 2.6 | +55 |
| Less intra-group | 1.05 | +52 |
| External orders | 8.4 | +37 |

Further, the catastrophic conditions on the European steel market coupled with the weakness of the shipbuilding industry underlines the major problems which Krupp still faces despite years of intensive restructuring.

Last year Krupp world external sales rose by 9 per cent to DM 13.9bn (37 per cent of that abroad) and incoming orders were up 12 per cent to DM 15bn. In both cases, mechanical engineering and trading activities registered above-average growth.

On the other hand, steel sales rose by only 5 per cent—an average figure for the year which conceals a disastrous heavy loss-making last quarter.

Both sales and orders are down this year, and Krupp Stahl, the group's steel-making arm, now plans to shed 4,000 workers by the end of 1982 in further rationalisation measures.

Dr Scheider emphasised that since the start of the steel crisis in 1975, Krupp had suffered total operating losses in this sector of more than DM 600m. Nonetheless, it had continued to invest in new plant and processes, and would be "absolutely competitive today" were in not for the pressure from state-subsidised companies elsewhere in Europe.

The Krupp loss from shipbuilding last year totalled about DM 70m—with sales falling by 4 per cent to DM 460m.

The group has been especially hard hit by the fall in demand for supertankers, on which its Bremen yard, above all, depended. Here too, a cost cutting and restructuring programme is underway, but it will take several years yet to carry through.

Finally, Krupp is increasingly worried about the future of its industrial plant business abroad, in view of the cheap financing available to its foreign competitors with help from their governments.

Dr Scheider noted that Krupp recently lost a DM 400m contract in East Germany because the Japanese competitor had benefited from state interest rate subsidies. The absence of such competitive financing in West Germany also meant Krupp was increasingly putting such deals in the hands of its subsidiaries abroad. In the longer run that implied fewer jobs at home.

# Austrian bank to get state guarantees

**LEGISLATION providing Sch 3bn ($180m) in state guarantees for Oesterreichische Laenderbank, the third biggest bank in Austria which last year dipped into the red and failed to pay a dividend, should be on the statute book by early July.**

**Although the combination of a bad Press and stern parliamentary opposition is providing the ruling Socialist Party with a rough ride, few people in Austria doubt that the Bill, which is unprecedented in the financial history of this country, will go through.**

**Laenderbank is the victim of bad debts after the collapse of two major industrial companies, a sharp decline in share portfolio values and general mismanagement.**

**The two main thorns in its side have been OEKG, an electrical group which went to the wall with debts totalling Sch 5bn, and the camera group, Eumig. Already a major shareholder, Laenderbank took full control of Eumig last year.**

**The full extent of the bank's problems is not known but the state guarantees cover Sch 3bn of funds owed to it, of which Sch 1bn and Sch 1.6bn can be directly related to OEKG and Eumig respectively.**

**For its part, Laenderbank can point to a basic capital of Sch 900m together with own funds of Sch 2.5bn. Total assets stand at Sch 146bn. Through a major industrial portfolio the bank has interest of 25 per cent on average) in a string of companies which last year had a workforce totalling 18,400.**

Laenderbank faces a long hard road to recovery. But the new management looks to the future with confidence in the knowledge that state funds should shortly be drafted to the bank's aid, Paul Lendvai reports from Vienna

**The state corporation in charge "of guarantees and indemnity bonds for loans to specific enterprises" will be the vehicle the Government will use to aid Laenderbank. The federal state will take over the guarantee for the repayment of Sch 3bn of loans, while Laenderbank will itself treat the guaranteed sum as a deposit subject to 8 per cent interest. The guarantees will be written off over 25 years so that every year 4 per cent of the Sch 3bn will appear under a provision for future losses in the Laenderbank profit and loss account. On this basis the bank faces a total financing cost of Sch 250m a year.**

**Dr Franz Vranitsky, Laenderbank's new director general, is confident that the bank will overcome its present difficulties. The 44-year-old banker welcomes the projected arrangements and sees the priority tasks of the new board as a "thorough reappraisal" of costs, a hard look at banking margins and a different handling of the loan portfolio.**

**The group organisation is to be streamlined and made more "international." Dr Vranitsky, who between 1976 and 1981 was deputy chief executive of the largest Austrian bank, Creditanstalt, points out that foreign business in the first five months of 1981 expanded by Sch 5bn.**

**As a result of the Laenderbank affair some Austrian economic commentators have called for a tightening of the banking laws and the establishment of a control body outside the Treasury. Other observers are sceptical about the real impact of such a measure — "Laenderbank's problems are primarily the result of a devastating combination of poor management and political backseat driving," a top banker remarked privately.**

**It remains to be seen whether the problems caused by OEKG and Eumig will prove to be a blessing in disguise for Austrian banking, where politicians and regional lobbies remain very influential.**

**The Treasury has started legal action with regard to at least one member of the former board of Laenderbank directors, all of whom where dismissed earlier this year.**

# Jaeger hit by fall in car sales

BY TERRY DODSWORTH IN PARIS

JAEGER, the French vehicle and aircraft instrument group, has blamed a sharp fall in profits last year on a combination of falling car sales, labour disputes and high interest rates.

In a period which has caused considerable difficulties to the whole of the French vehicle components industry, Jaeger's net consolidated profits fell to FFr 17.9m ($3.3m) in 1980 compared with FFr 29.3m in the previous year.

Turnover rose by 14.5 per cent, slightly higher than the rate of inflation, to FFr 1.4bn, while cash flow dropped to FFr 84m against FFr 92m.

Jaeger is diversifying in order to reduce its dependence on the vehicle industry, where growth in France is expected to be much less strong than in the 1970s. With this policy in mind, it recently took a 23 per cent stake in Jouvenel et Cordier, a company which manufactures automatic fluid control systems and which is being linked with its own heating regulation division.

The company's aim is to establish a strong position in the energy conservation field, where it has already been selected to receive special aid under the Government scheme for developing strategic industries.

Shareholders have authorised further capital increases to allow Jaeger to continue with its acquisition and diversification programme.

Jaeger stressed yesterday that the group's overseas subsidiaries had made a particularly important contribution last year, generating some 23 per cent of consolidated turnover, along with healthy profits.

Investments amounted to FFr 90m, of which more than 90 per cent was covered by cash flow.

# Go-ahead for SSIH rescue package

By Brij Khindaria in Geneva

SHAREHOLDERS of the Swiss watchmaking group, Societe Suisse pour l'Industrie Horlogere (SSIH) approved a SwFr 300m plan (about $150m) proposed by six large banks to rescue the company, which last year plunged heavily into losses.

Under the terms of the plan approved by the SSIH's general assembly in Geneva, shareholders lose 95 per cent of the nominal value of their shares. This reduces total capital by SwFr 69m to SwFr 3.45m.

At the same titme 965,500 shares with a face value of SwFr 100 each will be created to bring the capital up to Sw Fr 100m. The new shares will be taken up by six banks, the Union Bank of Switzerland, Swiss Bank Corporation, Credit Suisse, Volksbank and the cantonal banks of Berne and Neuchatel.

Losses at SSIH will be written off through the reduction in capital and a SwFr 100m offering by the banks to write-off debts and pay creditors.

In addition the banks will provide new credit worth SwFr 100 to help SSIH to trade through 1981 and 1982. The holding company has made a provision for further losses totalling SwFr 39.2m.

# Heavier losses at Gardisette

By John Wicks in Zurich

GARDISETTE, THE Swiss curtains fabric group, has moved deeper into the red during 1980 and as a result will again not pay a dividend.

Sales improved by 3 per cent to SwFr 111m. But the company has still not managed to surface above the problems in the housing market in Switzerland and net losses were SwFr 5.9m ($2.9m), compared with SwFr 1.14m.

# Share prices continue to tumble on Milan Bourse

BY JAMES BUXTON IN ROME

SHARES ON the Milan Bourse fell steeply yesterday. Provisional estimates put the index down 6 per cent, marking a sharp acceleration of the downward trend of the last 10 trading days.

Last week values fell about 10 per cent, and on Monday they dropped another 4 per cent. Although yesterday was the last day of the current trading period, which may have helped to account for the decline as dealers settled their positions, there are fears that the great bull market of the Milan Bourse which began last summer is now crumbling.

Last year share values roughly doubled and by May this year they had put on a further 68 per cent. These rises came after several years of stagnation and inactivity, and reawakened companies to the possibility of raising new capital on the stock exchange.

Sig Aloisio de Gasperi, chairman of the bourse, yesterday tried to stem the growing mood of despair about share prices, pointing out that they are still well up on the beginning of this year. "Let us not indulge in financial terrorism, capitalising on the falls of the market in the past few days," he said.

Yesterday saw all the major Italian stocks fall back sharply, with the banks—which have been among the market leaders up to now—heading the downward trend. But some of the steepest falls were recorded by La Centrale and Toro, both down about 20 per cent on the day.

If the decline continues there could be difficulties for some of the big capital-raising operations which have yet to come to the market. The biggest is that of Montedison, the chemical group, which plans to increase its capital nearly three times by means of a rights issue of L640bn ($546m). Yesterday Montedison shares, which had reached a peak of L288 in May, were L1 below their par value at L174.

# Recovery by Paris stocks

BY OUR PARIS STAFF

THE PARIS BOURSE climbed out of its recent depression yesterday to register its best trading period since the election of President Mitterrand five weeks ago.

Share prices rose on average by about 4.5 per cent, mainly in response to indications that the Communist Party will be in a weak position in the next National Assembly. The main stockbrokers' index went up to 80.9 against 77.3 on Monday.

The low Communist poll in the first round of the legislative elections at the weekend has raised hopes on the bourse that the new Socialist Administration will conduct a moderate industrial policy.

Most investors believe the main pressure for radical changes, including the nationalisation programme, would have come from the Communists. But Communist deputies are now unlikely to be in a position to have much influence on government policy.

Since President Mitterrand's election, bourse prices had lost about 30 per cent—the biggest fall since the Second World War. Market capitalisation, based on the current value of quoted stocks, dropped from around FFr 250bn ($54.5bn) to FFr 190bn, while some leading "nationalisable" shares lost between 50 and 65 per cent. These include companies like the Rothschild bank, the Dassault aerospace company, and the Thomson-CSF electrical and electronics group.

# Downturn for Austrian brewer

BY PAUL LENDVAI IN VIENNA

BRAU, the Austrian brewer, reports a sharp drop in profits for 1980 and is cutting its dividend from 10 per cent to 8 per cent.

On falling sales volume Brau lost market share last year and operating profits plunged to Sch 34m ($2.1m) from Sch 101m. The brewer's market share in Austria eased to 35¼ per cent from 36 per cent.

Beer consumption in Austria last year fell by 1.9 per cent to 7.95m hecto litres but at Brau volume suffered a setback of 3.7 per cent, cutting sales to 2.8m hecto litres.

The disappointing performance was ascribed by Brau to sluggish sales in Vienna and eastern Austria. Sales in the western provinces, with their large influx of foreign tourists, were buoyant. Exports were down by 5 per cent while non-alcoholic drinks volume was maintained.

Total cash turnover rose by 2 per cent to Sch 2.53bn for 1980, with beer accounting for Sch 1.95bn. Prospects are improving with current year first quarter sales of beer up by 3 per cent.

# North Korea fails to meet loan repayment schedule

BY A SPECIAL CORRESPONDENT

NORTH KOREA has failed for the third time to meet repayment schedules negotiated with two consortia of British and Continental banks. Morgan Grenfell and the Australia and *New Zealand Banking Group*, managers of the consortia, say that North Korea paid only the first in a series of payments which was negotiated in 1980 following two previous failures to pay back the loans according to plan.

The two consortia represent 73 British and Continental banks which extended trade credit or loans to North Korea in the early 1970s. They manage loans of about DM 650m.

Other European financing extended to the country include a French loan of FFr 859m and loans from various European banks amounting to DM 250m.

## Bankers reluctant

Bankers are reluctant to treat the loans as written off in their books. North Korea is one case among many of countries that have trouble in repaying loans to foreign banking concerns. One difference with North Korea is that the first foreign banks may hear of the difficulties is a telex message thanking them in advance for their agreement to forgo the repayment.

The European loans are only part of North Korea's debts. Debts to the Soviet Union and China, mostly for oil sales, are thought to amount to the equivalent of $1.5bn. Nearly all the major Japanese banks and a number of the smaller provincial ones have also extended credit to North Korea, amounting to $350m.

The European banks have resisted suggestions from the North Koreans that they should participate in the development of the socialist economy by exchanging their loans for an equity share in North Korean mining concerns. It is believed that several of the Japanese banks are being repaid through commodity exports

North Korea exports copper, coal, and other items to Japan. Another buyer of North Korean commodities is South Korea. The Government of South Korea has recently been encouraging trade with Communist states, in particular China and Vietnam.

The European banking concerns have little pressure that they can bring to bear on the North Korean Foreign Trade Bank and that concern has ceased trading in capitalist countries. The small North Korean gold output is sold through the Zurich market by the Daisong Bank. It is unlikely that pressure from the creditor banks can persuade the Swiss National Bank to limit the activities of this new North Korean bank in Switzerland.

The two consortia have ruled out for the present taking legal action based on the North Korean diplomatic presence in Europe. The North Koreans have embassies in Stockholm and Geneva. In Vienna they have a trade delegation. The consortia claim o have a legal case against North Korean Government property. The loans were signed under British law.

## Little pressure

The two consortia are negotiating together, independently of other European creditors loans which are thought also to be in trouble. Under an agreement with French creditors signed last year, repayment was set not to begin until 1982.

A Morgan Grenfell official says that he hopes that the penalties for further defaulting will be tougher than tose previously possible. "It is a question of forcing the North Koreans to change their priorities. At present they still find it more sensible to spend their scarce foreign exchange in making cash purchases rather than in honouring commitments to international banks."

# Increased earnings and payout from FVB

By Jim Jones in Johannesburg

FEDERALE Volksbeleggings (FVB), the South African investment company, the main interests of which are in food, chemicals, electronics, and furniture retailing, had record results for the year ended March 31 1981. Pre-tax income rose by 65.3 per cent to R81.57m ($95m) against R 49.34m in the previous year, while turnover was 41 per cent ahead at R1.03bn ($1.2bn) compared with R729.6m.

The company says that better employment of assets, together with the country's strong economic upswing, largely contributed to the improved results. Whereas a few years ago the group relied mainly on the fishing and chemical sectors, the position has now been reached where all the group's interests have made a contribution to profits. Almost all the unlisted subsidiaries did "exceptionally well" during the year. SedMech, which distributed Massey Ferguson equipment, consolidated its leading position in the tractor market. Furniture distributor, Morkels, which in the past has made only limited contribution to profits, showed record earnings.

The directors continue to be cautious on near term prospects, but although they warn that operates car rental services, year will be subject to greater uncertainties than in the year just completed, they are looking forward to further growth. A total dividend of 33 cents a share against 22 cents has been declared from earnings of 117.5 cents compared with 66 cents.

# Japanese company results fall

By Our Financial Staff

OPERATING PROFITS of major Japanese companies in the Jauuary to March quarter of 1981 fell by an average of 5.5 per cent from a year earlier, after a 3.1 per cent year-on-year rise the preceding quarter, the Finance Ministry says in its quarterly report. This is the first fall since the October-December quarter in 1977, when there was a decline of an average 3.2 per cent.

# Sony suffers downturn in first half

BY YOKO SHIBATA IN TOKYO

SONY CORPORATION the Japanese electrical appliances manufacturer, suffered a fall of 9.4 per cent in net profits to Y31.58bn ($140m) in the first six months of the financial year, on a consolidated basis, from Y34.85bn in the same period last year when there was a gain of 342 per cent, to an unusually high level.

The fall in earnings was seen in spite of a rise of 16.9 per cent in sales for the six months, to April 30, to Y509.78bn ($2.3bn), from Y435.96bn, helped by demand for video tape recorders and stereo cassette players.

The rise in th yen in the foreign exchange market contributed to the fall in profits—which had in the same period of 1979-80 been strongly supported by the yen's weakness.

Consolidated net profits in the second quarter were down 25.2 per cent on the same period a year earlier, to Y11.46bn on sales up 16.2 per cent to Y248.63bn.

In the first six months, overseas sales rose by 20.1 per cent to account for 67.5 per cent of the total. Domestic sales accounted for 32.5 per cent of those overall, to show a gain of 10.8 per cent. Sales growth in major overseas markets in terms of the local currencies was *around 30.50 per cent, with* those in the U.S. dollar gaining 35 per cent, in sterling 50 per cent, in German Marks 42 per cent, and in French francs 64 per cent. The sales abroad in yen terms, however, were held down by the foreign exchange movements.

A breakdown of sales by product shows VTRs in volume increasing 75 per cent in the six months, but in sales by only 46.1 per cent, to take a 26.3 per cent share in the total turnover. Sales of television sets declined by 2.2 per cent, to account for 23.6 per cent of the total. Stereo cassette players helped sales in the tape recorder and radio sector which gained 27.9 per cent, to account for 16.7 per cent of the total.

The yen's appreciation against other currencies in the last half year same to 17 per cent in the case of the U.S. dollar, 12 per cent in that of sterling and 34 *per cent against* the German mark.

Sony's foreign share ownership had at end-April reached a record 47.4 per cent, of which holdings of American Depositary Receipts (ADRs) represented 33.6 per cent. The remaining 13.8 per cent was owned by European institutional and Middle East investors. Sony's foreign share ownership had declined to a level as low as 12 per cent at the end of October 1979.

The company, given the strength of the business outlook centring on VTRs, plans outlays for new plant and equipment of $350m for the full year, ending October. Investment in the first six months came to $170m. The major part of the capital outlays is aimed at expanding production capacity in VTRs. Monthly production of VTRs (currently 150,000 units) is to be lifted to 200,000 units by the autumn. In order to meet overseas demand, the company is studying the possibility of manufacturing VTRs overseas, most likely in the U.S. or UK.

The company expects sales for the full year ending October to grow by around 17-18 per cent, but there is no firm forecast of earnings.

After-tax profit on a non-consolidated basis for the half to April 30 was Y20.95bn, against Y16.63bn, on sales of Y369.97bn, against Y287bn. The interim dividend was Y17.5, compared with Y15.

# Koor shows strong profit gain

BY L. DANIEL IN TEL AVIV

KOOR, the 100-plant industrial conglomerate owned by the Israel Labour Federation, lifted profits after tax and minority interests by 341 per cent to Shl 365m ($32m) in 1980. The advance compares with an inflation rate in the period of 133 per cent.

Turnover increased by 259 per cent *to more than Shl 10bn*, with a 7 per cent drop in local demand more than offset by a 26 per cent rise in exports to $388m. Exports accounted for 30 per cent of all sales last year compared with 25 per cent in 1979 and only 16 per cent ten years ago. The target for the end of the 1980s is 50 per cent and the bulk of new investment is going into electronics and sophisticated chemicals.

The margin of profits to turnover improved in the year from 3.2 per cent to 4.3 per cent.

However, *because of* conditions abroad and the slowdown in the rate of devaluation of the Israeli currency in recent months, exports declined by 8 per cent in real terms in the first five months of this year. This was mainly the result of a fall in sales to Europe. Those to the U.S. increased by 50 per cent and domestic demand revived, thus taking up much of the slack.

In contrast to the general trend in Israeli industry, Koor increased its investment last year *to $115m from $95m. Of* the 1981 target of $120m, a significant portion of spending is earmarked for a start in switching from oil to coal, particularly in cement production.

# Nikko to make EDR issue

By Our Financial Staff

NIKKO SECURITIES Company, the second largest Japanese securities house, is to issue 30m shares of common stock by way of European Depositary Receipts through an international syndicate managed by Deutsche Bank.

The offer price will be deter*mined in U.S. dollars and will* represent a discount from the closing price of the shares on the Tokyo Stock Exchange on June 24. On June 12 the closing price of the shares in Tokyo was Y440 (approximately U.S.$1.96).

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Companies and Markets

# CURRENCIES, MONEY and GOLD

## Dollar mixed

Dollar was helped by the firmer trend in Eurodollar interest rates after an early decline. The U.S. currency lost ground in the early morning, but improved later with the opening of the New York market. Trading was fairly quiet ahead of the public holidays in Germany today and tomorrow. Despite the fall in the U.S. bank prime lending rates, the Federal funds overnight rate was firm at around 19¼ per cent when European markets were closing.

Sterling finished slightly weaker against the D-mark, and lost ground to most other currencies, including the dollar, finishing below the $2 level.

European currencies showed mixed changes, with the D-mark and sterling falling against the dollar, while the French franc, Belgian franc and Dutch guilder improved. The D-mark remained at the top of the EMS, but the Dutch guilder replaced the lira as the second strongest currency.

DOLLAR — trade-weighted index (Bank of England) fell to 107.4 from 107.7. The U.S. currency rose to DM 2.3460 from DM 2.3420 against the D-mark and to SwFr 2.0490 from SwFr 2.0425 in terms of the Swiss franc. The dollar also rose to Y220.10 from Y219.80 against the Japanese yen, but fell to FFr 5.5875 from FFr 5.6025 against the French franc.

STERLING — trade-weighted index (Bank of England) fell to 95.7 from 95.8, after opening at 95.5 and rising to 96.0 at noon. The pound opened at $1.9960-1.9970, and rose to a peak of $2.0140-2.0150 in the afternoon, but fell to a low point of $1.9900-1.9910, and closed at $1.9955-1.9965, a fall of 60 points on the day. Sterling fell to DM 4.6850 from DM 4.69, and to FFr 11.1525 from FFr 11.2125, but was unchanged at SwFr 4.09.

D-MARK — Strongest member of the European Monetary System, and slightly improved against the dollar as U.S. interest rates show signs of declining. A reduction in Germany's large balance of payments deficit later this year, reflecting the better competitive position of German exports, may sustain the recovery, providing U.S. rates do not rise sharply once more — The D-mark showed mixed changes in thin nervous trading ahead of the public holiday's in Germany today and on Thursday. The dollar was weak at the Frankfurt fixing, falling to DM 2.3411 from DM 2.3656, but was slightly firmer than the opening level of DM 2.3370. In the late afternoon the U.S. currency improved to DM 2.3500, but still well below Friday's high point of DM 2.4050. The Bundesbank did not interevene at the fixing, and was probably not active on the open market. Sterling rose to DM 4.7010 from DM 4.6940 at the fixing but fell to DM 4.6900 later in the day. Among EMS currencies the French franc rose to DM 41.96 per 100 francs from DM 41.83.

DUTCH GUILDER — Remaining firm within the EMS, but in common with other European currencies weaker against the dollar. Economic problems caused by higher energy prices and the recession show signs of easing, leading to hopes of a payment surplus this year, while recent political uncertainty has had little impact on the currency —The guilder gained ground against most currencies at the Amsterdam fixing, and overtook the Italian lira to become the second strongest member of the EMS behind the D-mark. The dollar fell to Fl 2.6045 from Fl 2.6325 at the fixing, but recovered slightly to Fl 2.6120 in the afternoon. On the other hand sterling rose to Fl 5.2260 from Fl 5.2230, while the D-mark was fixed at Fl 1.1124 compared with Fl 1.1125.

## THE DOLLAR SPOT AND FORWARD

| June 16 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.9800-2.0150 | 1.9855-1.9965 | 1.05-1.15c dis | −6.61 | 2.60-2.70dis | −5.31 |
| Ireland† | 1.5500-1.5630 | 1.5500-1.5520 | 0.40-0.50c dis | −3.45 | 0.85-1.00dis | −2.37 |
| Canada | 1.2022-1.2046 | 1.2043-1.2046 | 0.03-0.07c dis | −0.50 | 0.53-0.57dis | −1.83 |
| Nethlnd. | 2.6005-2.6180 | 2.6070-2.6110 | 1.49-1.39c pm | 6.63 | 3.78-3.68 pm | 5.72 |
| Belgium | 38.24-38.32 | 38.28-38.30 | 11½-9c pm | 3.21 | 22-18 pm | 2.09 |
| Denmark | 7.3355-7.3850 | 7.3800-7.3850 | ¼ore pm-par | 0.20 | 2¼-1¾ pm | 1.09 |
| W. Ger. | 2.3360-2.3575 | 2.3455-2.3465 | 1.10-1.04pf pm | 5.47 | 2.82-2.76 pm | 4.76 |
| Portugal | 62.10-62.60 | 62.30-62.50 | par-30c dis | −2.89 | par-80 dis | −2.57 |
| Spain | 93.47-93.65 | 93.55-93.60 | 10-20c dis | −1.92 | 50-70 dis | −2.56 |
| Italy | 1,166-1,173 | 1,171-1,173 | 7-8 lire dis | −7.70 | 21-23 dis | −7.53 |
| Norway | 5.8235-5.8450 | 5.8300-5.8320 | 3-2½ore pm | 5.66 | 7½-7 pm | 4.97 |
| France | 5.5500-5.6000 | 5.5850-5.5900 | 1-2c dis | −3.22 | 4-5 dis | −3.22 |
| Sweden | 4.9950-5.0120 | 5.0020-5.0050 | 1.00-0.80ore pm | 2.16 | 2.05-2.45 pm | 2.04 |
| Japan | 219.75-220.50 | 220.05-220.15 | 2.15-2.00y pm | 11.31 | 5.55-5.40 pm | 9.95 |
| Austria | 16.50-16.60½ | 16.59½-16.60½ | 8.00-6.60gro pm | 5.26 | 21½-17½ pm | 4.70 |
| Switz. | 2.0400-2.0525 | 2.0485-2.0495 | 1.66-1.56c pm | 9.43 | 3.90-3.80 pm | 7.51 |

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

## THE POUND SPOT AND FORWARD

| June 16 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| U.S. | 1.9800-2.0150 | 1.9855-1.9965 | 1.05-1.15c dis | −6.61 | 2.60-2.70dis | −5.31 |
| Canada | 2.3970-2.4110 | 2.4020-2.4030 | 1.50-1.60c dis | −7.74 | 4.00-4.15dis | −6.78 |
| Nethlnd. | 5.19-5.24 | 5.20½-5.21½ | ⅛c pm-⅛ dis | −0.29 | 1 pm-par | 0.38 |
| Belgium | 76.25-77.00 | 76.40-76.50 | 23-33c dis | −4.38 | 60-70 dis | −3.40 |
| Denmark | 14.68-14.78 | 14.70-14.71 | 6⅞-8ore dis | −6.07 | 15¼-17 dis | −4.37 |
| Ireland | 1.2795-1.2880 | 1.2835-1.2850 | 0.25-0.39p dis | −2.99 | 0.84-1.04dis | −2.93 |
| W. Ger. | 4.67½-4.71½ | 4.68-4.69 | ⅛pf pm-⅛ dis | −0.32 | ⅛ pm-⅛ dis | −0.11 |
| Portugal | 123.50-125.50 | 122.70-123.90 | 80-130c dis | −9.21 | 160-330 dis | −7.91 |
| Spain | 186.80-188.30 | 187.40-187.60 | 110-140c dis | −8.00 | 320-370 dis | −7.36 |
| Italy | 2,333-2,351 | 2,337-2,339 | 24½-26½ lire dis | −13.09 | 67-70 dis | −11.72 |
| Norway | 11.63-11.74 | 11.67-11.68 | par-1½ore dis | −0.77 | ⅞-2 dis | −0.41 |
| France | 11.13½-11.21 | 11.14¾-11.15¾ | 7-8c dis | −8.07 | 20¾-21¾ dis | −7.53 |
| Sweden | 9.99-10.06 | 10.02¾-10.03¾ | 3-3⅞ore dis | −4.11 | 7⅞-8⅞ dis | −3.34 |
| Japan | 437-445 | 439-440 | 1.95-1.80y pm | 4.85 | 5.45-5.05 pm | 4.78 |
| Austria | 33.05-33.30 | 33.12-33.17 | 1-6gro dis | −1.27 | par-10 dis | −0.60 |
| Switz. | 4.07½-4.11½ | 4.08½-4.09½ | 1½-½c pm | 2.93 | 3-2 pm | 2.44 |

Belgian rate is for convertible francs. Financial franc 77.55-77.65. Six-month forward dollar 3.55-3.65c dis. 12-month 4.95-5.15c dis.

## CURRENCY MOVEMENTS

| June 16 | Bank of England Index | Morgan Guaranty Changes % |
|---|---|---|
| Sterling | 95.7 | −29.2 |
| U.S. dollar | 107.4 | +1.3 |
| Canadian dollar | 87.2 | −17.7 |
| Austrian schilling | 111.7 | +21.9 |
| Belgian franc | 105.8 | +9.5 |
| Danish kroner | 86.4 | −11.4 |
| Deutsche mark | 116.9 | +38.1 |
| Swiss franc | 135.1 | +80.7 |
| Guilder | 108.6 | +14.2 |
| French frank | 83.2 | −11.4 |
| Lira | 57.5 | −55.8 |
| Yen | 144.8 | +39.3 |

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

## CURRENCY RATES

| June 15 | Bank rate % | Special Drawing Rights | European Currency Unit |
|---|---|---|---|
| Sterling | 12 | 0.585166 | 0.539491 |
| U.S. $ | 14 | 1.15980 | 1.06954 |
| Canadian $ | 19.07 | 1.39338 | 1.28505 |
| Austria Sch. | 6¾ | 19.4185 | 17.9255 |
| Belgian F. | 13 | 44.8176 | 41.3431 |
| Danish K. | 11 | 8.63761 | 7.94455 |
| D mark | 7½ | 2.74362 | 2.52786 |
| Guilder | 9 | 3.05517 | 2.81503 |
| French Fr. | 9½ | 6.55519 | 6.04665 |
| Lira | 19 | 1367.69 | 1261.26 |
| Yen | 6¼ | 257.708 | 236.475 |
| Norwgn. Kr. | 9 | 6.81788 | 6.27500 |
| Spanish Pts. | 8 | 109.600 | 101.093 |
| Swedish Kr. | 12 | 5.86801 | 5.39048 |
| Swiss Fr. | 5 | 2.39441 | 2.20026 |
| Greek Dr'ch. | 20½ | — | 61.8099 |

## OTHER CURRENCIES

| June 16 | £ | $ | | £ Note Rates |
|---|---|---|---|---|
| Argentina Peso | 8780-8800 | 4374-4384 | Austria | 32.85-33.20 |
| Australia Dollar | 1.7340-1.7380 | 0.8715-0.8720 | Belgium | 77.20-78.00 |
| Brazil Cruzeiro | 176.00-177.00 | 87.70-88.14 | Denmark | 14.65-14.80 |
| Finland Markka | 8.835-8.848 | 4.4125-4.4175 | France | 11.12-11.22 |
| Greek Drachma | 111.679-114.554 | 57.05-57.25 | Germany | 4.67-4.71 |
| Hong Kong Dollar | 10.89-10.91 | 5.4600-5.4650 | Italy | 2285-2340 |
| Iran Rial | 157.45* | 79.50* | Japan | 440-446 |
| Kuwait Dinar (KD) | 0.555-0.561 | 0.2795-0.2798 | Netherlands | 5.19-5.22 |
| Luxembourg Frc. | 76.40-76.50 | 38.28-38.30 | Norway | 11.62-11.74 |
| Malaysia Dollar | 4.64-4.65 | 2.3270-2.3300 | Portugal | 120-124 |
| New Zealand Dlr | 2.2980-2.3030 | 1.1545-1.1555 | Spain | 179½-191 |
| Saudi Arab. Riyal | 6.75-6.81 | 3.3995-3.4025 | Sweden | 9.92-10.02 |
| Singapore Dollar | 4.24-4.25 | 2.1270-2.1300 | Switzerland | 4.08-4.12 |
| Sth African Rand | 1.7165-1.7175 | 0.8600-0.8605 | United States | 2.01-2.03 |
| U.A.E. Dirham | 7.22-7.28 | 3.5705-3.5725 | Yugoslavia | 73-86 |

Rate given for Argentina is free rate. * Selling rate.

## EMS EUROPEAN CURRENCY UNIT RATES

| | ECU central rates | Currency amounts against ECU June 16 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 40.7985 | 41.3669 | +1.39 | +1.39 | ±1.5361 |
| Danish Krone | 7.91917 | 7.95247 | +0.42 | +0.42 | ±1.6413 |
| German D-Mark | 2.54502 | 2.53105 | −0.55 | −0.55 | ±1.1386 |
| French Franc | 5.99526 | 6.03133 | +0.60 | +0.60 | ±1.3638 |
| Dutch Guilder | 2.81318 | 2.81516 | +0.07 | +0.07 | ±1.5159 |
| Irish Punt | 0.685145 | 0.692696 | +1.10 | +1.10 | ±1.6688 |
| Italian Lira | 1262.92 | 1254.17 | +0.10 | +0.10 | ±4.1116 |

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

## EXCHANGE CROSS RATES

| June 16 | Pound Sterling | U.S. Dollar | Deutschem'k | Japan'se Yen | French Franc | Swiss Franc | Dutch Guild' | Italian Lira | Canada Dollar | Belgian Franc |
|---|---|---|---|---|---|---|---|---|---|---|
| Pound Sterling | 1. | 1.996 | 4.655 | 439.5 | 11.153 | 4.090 | 5.210 | 2338. | 2.403 | 76.45 |
| U.S. Dollar | 0.501 | 1. | 2.347 | 220.2 | 5.587 | 2.049 | 2.610 | 1171. | 1.204 | 38.30 |
| Deutschemark | 0.215 | 0.426 | 1. | 93.81 | 2.380 | 0.873 | 1.112 | 499.0 | 0.513 | 16.32 |
| Japanese Yen 1,000 | 2.275 | 4.542 | 10.66 | 1000. | 25.38 | 9.306 | 11.85 | 5320. | 5.466 | 173.9 |
| French Franc 10 | 0.897 | 1.790 | 4.201 | 394.1 | 10. | 3.667 | 4.672 | 2096. | 2.154 | 68.55 |
| Swiss Franc | 0.244 | 0.488 | 1.145 | 107.5 | 2.727 | 1. | 1.275 | 571.6 | 0.587 | 18.69 |
| Dutch Guilder | 0.192 | 0.383 | 0.899 | 84.36 | 2.141 | 0.785 | 1. | 448.8 | 0.461 | 14.67 |
| Italian Lira 1,000 | 0.428 | 0.854 | 2.004 | 188.0 | 4.770 | 1.749 | 2.228 | 1000. | 1.028 | 32.70 |
| Canadian Dollar | 0.416 | 0.831 | 1.950 | 182.9 | 4.642 | 1.702 | 2.169 | 973.2 | 1. | 31.82 |
| Belgian Franc 100 | 1.308 | 2.651 | 6.128 | 574.9 | 14.59 | 5.350 | 6.815 | 3058. | 3.143 | 100. |

## FT LONDON INTERBANK FIXING (11.00 a.m. JUNE 16)

| 3 months U.S. dollars | | 6 months U.S. dollars | |
|---|---|---|---|
| bid 17 7/16 | offer 17 9/16 | bid 16 7/16 | offer 16 9/16 |

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

## EURO-CURRENCY INTEREST RATES (Market closing Rates)

| June 16 | Sterling | U.S. Dollar | Canadian Dollar | Dutch Guilder | Swiss Franc | West German Mark | French Franc | Italian Lira | Belgian Franc Convertible | Japanese Yen |
|---|---|---|---|---|---|---|---|---|---|---|
| Short term | 11-11⅛ | 18-18¼ | 17½-19 | 11⅛-11⅝ | 3½-4 | 11½-11⅝ | 20-21 | 21-26 | 12½-13½ | 5¾-6 |
| 7 days' notice | 11¼-11¾ | 18⅛-18⅜ | 17½-19 | 11⅜-11⅝ | 3½-4 | 11½-11¾ | 20-22 | 21½-24 | 12½-13½ | 6-6¼ |
| Month | 11⅞-12 | 17 11/16-17 13/16 | 18⅞-19¼ | 11⅝-11 7/8 | 8½-8½ | 12 5/16-12 7/16 | 20-22 | 23⅝-24⅞ | 14-14½ | 6¾-7¼ |
| Three months | 12 5/16-12 7/16 | 17⅜-17⅝ | 18¾-19⅛ | 11⅝-11⅞ | 9⅝-9¾ | 12 5/16-12 7/16 | 20-22 | 25⅝-24⅝ | 14¾-15¼ | 7 5/16-7 7/16 |
| Six months | 12⅞-13 | 16⅜-16⅝ | 17⅞-18¼ | 11 9/16-11⅞ | 9⅝-9¾ | 12 5/16-12 7/16 | 19-20½ | 23⅜-24⅛ | 15-15½ | 7½-7¾ |
| One Year | 13⅛-13⅝ | 15⅝-15⅞ | 16¾-17⅛ | 11 9/16-11⅞ | 8⅝-8¾ | 12 5/16-12 7/16 | 19-20 | 23¼-24 | 14¾-15¼ | 7 11/16-8 1/16 |

SDR linked deposits: one-month 15-15⅜ per cent; three-months 14¾-15⅛ per cent; six-months 14¼-14⅝ per cent; one-year 13⅞-14¼ per cent.
ECU linked deposits: one-month 15 3/16-15 9/16 per cent; three-months 15 3/16-15 9/16 per cent; six-months 14¾-15⅛ per cent; one-year 14⅝-15 per cent.
Asian $ (closing rates in Singapore): one-month 17⅝-17⅞ per cent; three-months 17⅜-17⅝ per cent; six-months 16¼-16½ per cent; one-year 15¼-15½ per cent. Long-term Eurodollar two years 15¼-15½ per cent; three-years 15⅛-15⅜ per cent; four-years 15⅛-15⅜ per cent; five-years 15-15¼ per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice.
The following nominal rates were quoted for London dollar certificates of deposit: one-month 17.50-17.60 per cent; three-months 16.60-16.70 per cent; six-months 15.90-16.00 per cent; one-year 15.45-15.55 per cent.

## INTERNATIONAL MONEY MARKET

### Belgian rates ease

Belgian interest rates continued to decline yesterday. The National Bank announced further cuts in Treasury bill rates, the third in as many days. Yesterday's reductions left rates on one, two and three-month Treasury bills half a point lower at 15.25 per cent for one-month and 15.50 per cent for two and three-month bills. One month bills were altered on Monday following a quarter point cut on Friday on all three maturities. Although the weakest member of the European Monetary System, the Belgian franc has not been under any pressure just recently and this has given the authorities the option of lowering interest rates. There has also been a recent downturn in U.S. rates.

In Frankfurt the Bundesbank left credit policies unchanged after yesterday's meeting of the central council. This was generally in line with market expectations. The meeting was held yesterday instead of Thursday because of a public holiday on that day. In the money market call money was quoted at 11.70-11.85 per cent compared with 11.70-11.90 per cent on Monday. Longer term rates were all lower; three-month money falling to 12.95-13.05 per cent from 13.15-13.25 per cent and six-month to 12.70-12.80 per cent from 13.10-13.20 per cent.

## MONEY RATES

**NEW YORK**

| | |
|---|---|
| Prime Rate | 19-20 |
| Fed. Fund | 19¼-19½ |
| Treasury Bills (13-week) | 13.65 |
| Treasury Bills (26-week) | 13.45 |

**GERMANY**

| | |
|---|---|
| Special Lombard | 12.00 |
| Overnight Rate | 11.775 |
| One month | 12.85 |
| Three months | 13.00 |
| Six months | 12.75 |

**FRANCE**

| | |
|---|---|
| Intervention Rate | 22 |
| Overnight Rate | 20 |
| One month | 19.625 |
| Three months | 19.5 |
| Six months | 17.75 |

**JAPAN**

| | |
|---|---|
| Discount Rate | 6.25 |
| Call (Unconditional) | 7.25 |
| Bill Discount (three-month) | 7.53125 |

## UK MONEY MARKET

### Moderate assistance

**Bank of England Minimum Lending Rate 12 per cent (from March 10 1981)**

Day to day credit was in short supply in the London money market yesterday and the authorities gave assistance on a moderate scale. This comprised small purchases of Treasury bills and a moderate amount of eligible bank bills, all direct from discount houses. The market was faced with a moderate amount of local authority bills maturing in official hands and a small amount of commercial bills also maturing in official hands. Discount houses were paying up to 11¾ per cent for secured call loans at the start with later balances taken at 9 per cent.

In the interbank market overnight money opened at 10¾-11 per cent and eased to 10½ per cent, before rising to 11¾-12 per cent. Rates touched a peak of 12¼-12½ per cent before subsiding to 9 per cent at the close.

## GOLD

### Weaker trend

Gold fell $8 to $461-464 in the London bullion market yesterday. It opened at $464-467 and was fixed at $466.75 in the morning and $461.50 in the afternoon. The metal touched a peak of $465-468 but fell to $460-462, reflecting the lower trend in the price of silver, following recent U.S. proposals to sell large amounts of silver over the next few years.

In Paris the 12½ kilo gold bar was fixed at FFr 93,500 per kilo ($520.94 per ounce) in the afternoon, compared with FFr 93,500 ($520.94) in the morning, and FFr 96,000 ($528.29) Monday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 35,230 per kilo ($467.99 per ounce), against DM 36,070 ($473.99) previously, and finished at $460-463, compared with $470-473.

In Zurich gold closed at $460-463, against $471-474.

| | June 16 | | June 15 | |
|---|---|---|---|---|
| **Gold Bullion (fine ounce)** | | | | |
| Close | $461-464 | (£231-232½) | $469-472 | (£234¼-245¾) |
| Opening | $464-467 | (£232¼-233¾) | $472-475 | (£238¾-240¼) |
| Morning fixing | $466.75 | (£233.084) | $472.25 | (£238.414) |
| Afternoon fixing | $461.50 | (£230.347) | $471.75 | (£236.229) |
| **Gold Coins** | | | | |
| Krugerrand | $476-477 | (£238½-239) | $482½-483½ | (£241¼-241¾) |
| 1/2 Krugerrand | $245½-246½ | (£123-123½) | $249-250 | (£124½-125) |
| 1/4 Krugerrand | $125-126 | (£62½-63) | $127-128 | (£63½-64) |
| 1/10 Krugerrand | $51-52 | (£25½-26) | $52-53 | (£26-26½) |
| Mapleleaf | $466-469 | (£233½-235) | $474½-476½ | (£237¼-238¼) |
| New Sovereigns | $116-116½ | (£58-58½) | $117½-118¼ | (£58¾-59¼) |
| King Sovereigns | $128-130 | (£64-65) | $128-130 | (£64-65) |
| Victoria Sovs. | $128-130 | (£64-65) | $128-130 | (£64-65) |
| French 20s | $122-127 | (£61-63½) | $123-129 | (£61½-64½) |
| 50 pesos Mexico | $573-580 | (£287¼-290¾) | $581-588 | (£290½-294) |
| 100 Cor. Austria | $445-450 | (£223-225½) | $450-456 | (£225-228) |
| $20 Eagles | $583-588 | (£292¼-294¾) | $583-588 | (£291½-294) |

## LONDON MONEY RATES

| June 16 1981 | Sterling Certificate of deposit | Interbank | Local Authority deposits | Local Auth. negotiable bonds | Finance House Deposits | Company Deposits | Discount Market Deposits | Treasury Bills ⊕ | Eligible Bank Bills ⊕ | Fine Trade Bills ⊕ |
|---|---|---|---|---|---|---|---|---|---|---|
| Overnight | — | 9-12½ | 11¼-11¾ | — | — | 11-12¼ | 9-11¾ | — | — | — |
| 2 days notice | — | — | 11½-11¾ | — | — | — | — | — | — | — |
| 7 days or | — | — | — | — | — | — | — | — | — | — |
| 7 days notice | — | 11-11⅞ | 11⅜-11⅞ | — | 11¾ | 11½-12¼ | 10¾-11¼ | — | — | — |
| One month | 11½-11½ | 11½-12 | 11¾-11⅞ | 13-12¾ | 12¼ | 12¼ | 11⅛ | 11⅞ | 11¾-11½ | 12⅜ |
| Two months | 12⅜-12½ | 12¼-12½ | — | 13⅛-12⅞ | 12⅝ | 12¾ | 11¾ | 12⅛ | 12½-12½ | 12⅝ |
| Three months | 12½-12½ | 12½-12⅝ | 12⅝ | 13⅛-12⅞ | 13 | 12⅞ | 12 | 12½-12⅛ | 12½-12½ | 12½ |
| Six months | 12½-12½ | 12½-13 | 12¾-12⅞ | 13⅛-12⅞ | 13¼ | 13¼ | — | — | 12 | 13⅝ |
| Nine months | 12⅞-12¾ | 13-13¼ | — | 13⅝-13⅛ | 13⅜ | 13½ | — | — | — | — |
| One year | 13⅛-12⅞ | 13⅝-13⅞ | 13⅝ | 13⅝-13⅛ | 13⅝ | 13¾ | — | — | — | — |
| Two years | — | — | 13⅝-13¾ | — | — | — | — | — | — | — |

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 13¼-13¾ per cent; four-years 14-14¼ per cent; five years 14½ per cent. ⊕ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 12 3/16-12¼ per cent; four-months trade bills 12¾ per cent.

Approximate selling rate for one-month Treasury bills 11⅝ per cent; two-months 11⅞ per cent; three-months 11⅞ per cent. Approximate selling rate for one-month bills 11 23/32-11 25/32 per cent; two-months 11 15/16 per cent; three-months 12 1/16 per cent; one-month trade bills 12⅜ per cent; two-months 12⅝ per cent and three-months 12 7/16 per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 12½ per cent from June 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 9 per cent. Clearing Bank Rates for lending 12 per cent. Treasury Bills: Average tender rates of discount 12.0732 per cent.

# WORLD STOCK MARKETS

# Easier early Wall St. trend

AN EASIER tendency prevailed on Wall Street early yesterday, although trading remained active.

Analysts said the market is continuing Monday's late downturn when the Dow Jones Industrial Average pulled back from an initial 11-point advance to end a net 5.7-p up. The Average was off 1.15 at 1,010.84 at 1 pm yesterday. The NYSE All Common Index shed 38 cents to $77.27 and declines led gains by a four-to-three margin. Turnover came to 42.84m shares, but was below Monday's 1 pm figure of 46.36m.

Larry Wachtel, of Bache Halsey Stuart Shields, said traders were disappointed that Chemical Bank's Prime Rate cut to 19 per cent from 20. Yesterday, Citibank and Bankers Trust moved to 19½ per cent, indicating that interest rates will not fall as quickly as originally expected.

Oil stocks continued to decline following Monday's news that Britain was cutting North Sea oil prices by $4.25 a barrel. Mobil shed ½ to $55⅝, Standard Oil of California ⅝ to $35⅞, Standard Indiana 1½ to $50½ and Atlantic Richfield ⅜ to $43⅞.

Banks also showed declines, Citicorp eased ⅜ to $29⅞, J. P. Morgan ⅞ to $63 and Bank of America ⅜ to $28⅛.

THE AMERICAN SE Market Value Index receded 2.15 to 365.54 at 1 pm on volume of 4.39m shares.

## Canada

Markets remained generally in easier mood yesterday morning, with the Toronto Composite index slipping 9.3 more to2,341.6 at noon. Oil and Gas lost 56.2 to 4,755.0 and Golds 49.2 to 3,956.4.

## Milan

Shares on the Milan Stock Exchange plunged sharply across the board yesterday under heavy selling pressure as the market's recent down trend took a serious turn for the worse.

Brokers illustrated the day's harrowing results by citing a list of major shares whose closings were delayed due to losses exceeding 20 per cent. The Banca Commerciale Italiana index finally registered a fall of 30.60 at 229.60.

The prolonged political crisis in Italy, fears of new monetary restraints and the possible effect on domestic politics of the waxing strength of the Socialists in France were said to have been some of the factors spurring investors to sell their shares. The Banco Ambrosiano-Centrale, Bonomi and Pesenti financial holding groups continued to be depressed by uncertainties over the trials of seven financiers recently arrested on charges of illegal capital exporting.

Brokers noted with alarm that the drop came on the last day of the June Settlement period, pointing out that this will have unfortunate reprecussions on the market in the end-of-month payments date. The typically mercurial nature of the market during the Settlement period was blamed as a major factor precipitating the retreat.

However, Giorgio Aloisio de Gasperi, chairman of the Milan Brokers' Association, stated publicly yesterday that the drop in share prices was "completely natural" after the recent months of continual gains. Brokers said that the July liquidations, which begin today, will be closely watched for signs that the market may be regaining stability.

The relatively under-capitalised Milan stock market was a world leader last year, with the index at times up well over 100 per cent from a year earlier. But as the rally was mostly fuelled by speculation by investors anxious to find a hedge against inflation, most analysts warned that an eventual shake-out was inevitable.

Among the shares whose closings were delayed because of excessive losses were: Montedison, Fiat Common and Preferred, IFI Preferred, Centrale, Bastogi, Snia Viscosa, RAS Common and Preferred, SAI, Toro Preferred, Italia Assicurazioni, Banca Commerciale Italiana, Banco di Roma and Credito Varesino.

## Paris

Bourse prices staged a good rally across a broad front, with the CAC General index recovering 3.6 to 80.9.

Institutional investors were continuing to provide support for the market, and some foreign buying had also been observed. Traders said the market's reaction to the overwhelming victory of the French Socialist Party in Sunday's legislative elections was on the whole positive, since the new Government would most likely be able to operate without the support of Communist deputies.

Commented one operator: "I think what we're seeing is a realisation that the new Mitterrand Administration is here to stay, and that the President isn't the bogeyman he was made out to be in the French press."

## Tokyo

Trading picked up considerably yesterday as profit-taking alternated with a high level of foreign purchases which were prompted by a further yen rise against the U.S. dollar and the overnight U.S. Prime Rate cut.

However, the profit-taking finally won the day, with the Nikkei-Dow Jones Average, after setting another record high of 7,729.63 at the morning close, later receding to 7,696.52 for a loss of 15.21 on the day. Volume expanded to 700m shares from Monday's 550m.

High-priced Light Electricals, Motors, Precisions, Defence-related issues and some other majors lost ground, but Heavy Electric Machines gained sharply, while Steels and Shipbuilders were mixed.

Sony fell Y60 to Y5,390, Honda Motor Y50 to Y1,230, Toyota Motor Y60 to Y1,350 and Fujitsu Y12 to Y712, but Toshiba rose Y19 to Y428, Hitachi Y21 to Y717, Nippon Steel Y6 to Y218 and Yasukawa Electric Y22 to Y580.

## Germany

Profit-taking left the market mainly easier after thin trading ahead of holidays in West Germany today and tomorrow.

## Australia

Markets closed on a mixed note, although turnover was strong despite continuing problems with the national telecommunications system.

Vamgas retreated 80 cents to A$14.90 after the Sydney Exchange passed on an unconfirmed report that tests at the Blina No. 1 well's 1,515-1,538 metre interval had recovered water only. Among stocks associated with Blina, Woodside shed 5 cents to A$2.25, Western Mining 23 cents to A$5.50, Eagle 11 cents to 94 cents and Swan 13 cents to A$1.32.

## Hong Kong

After Monday's setback on profit-taking, stock prices fluctuated throughout yesterday in heavy two-way trading before closing firmer for choice on the day.

Brokers said many local investors continued to take profits, consolidating the market near its recent record level before it heads higher. Market sentiment was supported by lower U.S. interest rates and a drop in local interbank overnight rate to a late 13.75 per cent from an early 15.5 per cent.

The Hang Seng index, which receded 28.20 the previous day, recouped 8.80 at 1,761.15. Total turnover on the four exchanges amounted to HK$818.12m but fell short of Monday's HK$873.58m.

Among the Blue Chips, Hongkong Bank gained 10 cents to HK$17.30, Cheung Kong 50 cents to HK$33, Hutchison Whampoa 30 cents to HK$21.40 and Jardine Matheson 50 cents to HK$26.30.

New issue International City added 10 cents at HK$1.80, while China Light put on 40 cents to HK$14.60.

## NEW YORK

## Indices

## NEW YORK ACTIVE STOCKS

## CANADA

## BELGIUM (continued)

## HOLLAND

## AUSTRALIA

## JAPAN (continued)

## DENMARK

## FRANCE

## ITALY

## NORWAY

## HONG KONG

## SWEDEN

## GERMANY

## AUSTRIA

## SPAIN

## SWITZERLAND

## BELGIUM/LUXEMBOURG

## SINGAPORE

## SOUTH AFRICA

## BRAZIL

# COMMODITIES AND AGRICULTURE

## Tobacco output rise expected

WORLD TOBACCO production is expected to rise by about 2 per cent this year to an estimated 5.5m tonnes, the U.S. Agricultural Department has announced.

Production of flue-cured and oriental types of cigarette tobacco will be virtually unchanged from 1980, while Burley production is expected to rise, the department's foreign agricultural service said.

U.S. production was projected on the basis of acreage and average yields at 856,770 tonnes, up 6 per cent. Burley was projected to gain 27 per cent, while flue-cured is expected to drop slightly.

China's production, estimated at 800,000 tonnes, is forecast to rise 14 per cent from last year's reduced harvest, while the Soviet Union's total tobacco output is expected to total 310,000 tons, up from 285,000 last year.

India's crop was estimated at 450,0000 tonnes, a small increase from 446,900 in 1980, and Japan's tobacco production is expected to increase slightly to 147,500 tonnes after four years of decline. Brazil's crop, projected at 302,000 tonnes would be sharply reduced from 340,000 last year, and Turkey's is projected at 230,000 tonnes, down from 250,000 in 1980. AP

## India increases tea export target

NEW DELHI—India hopes to export 230m kilos of tea in fiscal 1981-82 (April-March) against an estimated 225m last year, the United Planters' Association of South India (UPASI) has said.

India is losing ground in some European markets because a large amount of inferior tea is being offered at low prices.

However, the unit value of Indian tea abroad last year was 34 Paise less at 18.12 Rupees a kilo. Unloading of team by China in world markets is considered a factor which has depressed Indian tea prices.

India is targetted to produce 610m kilos of tea in calendar 1981 agianst an estimated 575m last year.

But tea planters in South India are facing a financial crisis because of a higher wage bill and several federal and local taxes imposed on them with some tea gardens in north-eastern Assam reportedly facing closure.

WORLD sugar market traders were taken by surprise yesterday when the EEC Commission authorised the export of 9,250 tonnes of refined sugar at its weekly selling tender. It had been forecast earlier in the day that the exports would be around 90,000 tonnes, if the Commission kept to its target of reducing surplus stocks by the end of the current season in six weeks. It is estimated that altogether there are over 500,000 tonnes of surplus sugar in the Community available for sale, but the Commission is apparently in no mood to give too generous export subsidies.

At yesterday's tender, held a day earlier than usual, the Commission set the export subsidy rate lower than expected at 16.099 European currency units per 100 kilos. This compared with the subsidy of 14.68 units given on exports of 52,400 tonnes last week when world market values were higher. The cutback in EEC exports failed to halt a further decline in the world market. The October position closed £8.5 down at £196.125 a tonne. One view taken was that the reduction in EEC exports this week may mean far larger sales in the few remaining weeks. At the same time the lack of sales underlines the present quiet mood in the market, with rumours of possible imports by India yet to be confirmed.

## EEC takes hard line on cane imports

BY LARRY KLINGER IN BRUSSELS

The European Community has again made it clear that it is not prepared to increase its price offer for cane sugar imports from developing countries but is pursuing ways of giving some relief to the producers hit by soaring international freight costs.

More than 60 African, Caribbean and Pacific Ocean (ACP) nations grouped under the Lomé Convention trade and aid agreement with the EEC are demanding an 8.5 per cent increase, the same awarded in April to European beet sugar producers. They have rejected the EEC offer of 7.5 per cent.

The European Commission, in a "short, factual progress report" received without specific comment by the EEC Council of Agriculture Ministers meeting in Luxembourg on Monday night, said that neither the hard-pressed Community economy nor the depressed domestic market situation allowed for an increased offer.

Britain argued strongly at the time of the original offer that a *higher price would* jeopardise the ability of Tate and Lyle to market the sugar profitably. The closure-hit British group is Europe's only remaining big cane refiner and processes virtually all of the ACP countries' 1.3m tonnes of annual imports.

However, the Commission is pursuing ways to assist the cane producers hit by sharply increased shipping costs. It is understood that one area under consideration is the European Development Fund, the Lomé aid agency.

The trouble is that using funds for this purpose could reduce aid possibilities in other areas. The ACP countries, while interested in a scheme that could alleviate their costs, insist that it should not endanger any specific Lomé aid project.

Negotiations between ACP ministers and Commission officials are expected to be resumed soon in an effort to reach agreement by the end of the month, when the current one-year agreement expires.

## Farm policy reform backed

BY WALTER ELLIS IN STRASBOURG

CLEAR, if grudging, support for reform of the EEC's Common Agricultural Policy (CAP) emerged yesterday in the European Parliament, thus boosting hopes that a means might be found this year of restructuring the entire Common Market budget.

European MPs, debating the Plumb Report on the CAP—drawn up by Sir Henry Plumb, the British conservative and former National Farmers' Union president—appeared to be moving towards a reluctant acceptance of the necessity for change, if only because, without it, the Community could soon be plunged into renewed financial crisis.

Sir Henry's report proposes that desired levels of production be established for each farm product and that surpluses be subject to financial levies. He also wants increased aid for less-favoured regions and much tighter control on national aids. He argued yesterday that this would restore equilibrium while still achieving the main aims of the CAP — self-sufficiency, increased prosperity for farmers and a unified market.

Mrs Barbara Castle, leader of the British Labour delegation, weighed in with a characteristically trenchant attack on the Plumb Report and on the CAP itself. She said that the CAP had enriched the beef and milk producing farmers from the north of the Community while doing little for southern producers or the people of the Third World. She wanted price support to be cut by half over five years, with part of the saving being used to help small farmers.

This view was thought unlikely to prevail, however, and, in spite of the traditional pro-CAP majority in the House, a modified form of the Plumb Report looks set to win MP's approval. The European Commission, meanwhile, is almost ready with detailed proposals of its own for CAP reform, and both sets of suggestions are to be considered shortly by the Council of Ministers in Brussels.

Today, the Parliament moves on to discussion of the related issue of Britain's Community payments. The UK is seeking a system of "broad balance" under which member states would get out of the budget more or less what they put into it. This is something on which it is insisting in spite of the fact that it cuts across the policy of "own resources" on which the budget is founded.

France, in particular, argues that the Community must be free to dispose of its money as it wishes and says that the British approach could transform EEC spending into an

## Sharp drop in silver

By John Edwards, Commodities Editor

FALLS in gold and silver, plus the strength of sterling against the dollar, brought a generally easier trend on the London metal markets yesterday.

Silver prices dropped sharply, depressed by the latest moves in Congress backing the sale of surplus supplies from the U.S. strategic stockpile. The London bullion spot market quotation was cut at the morning fixing by 25.15p to 506.25p a troy ounce and the market only showed slight signs of recovery in the afternoon.

In all the confusion of the proposals approved by different Congress committees, it does seem that the Administration has won its battle to start stockpile sales as a means of raising revenue to pay for materials required by the stockpile.

Base metal markets were generally under pressure too, as a result of the stronger pound. The exception was tin, which closed marginally higher. All the rest were lower, notably copper, where cash wirebars lost £8.25 to £863 a tonne.

A fall in New York overnight helped depress sentiment already hit by the market's failure to stay above the £900 a tonne level reached by the three months quotation last week.

However, Inter Commodities in an update of its copper report issued yesterday, stated it believes this is the start of a considerable "bull" trend in copper prices. It forecasts three months wirebars will rise to between £980-£1,000 in the next two to three months.

## Jamaica loses on alumina deal

KINGSTON — Jamaica lost more than $5m on an agreement to ship 100,000 tonnes of alumina last year to the Soviet Union, Prime Minister Edward Seaga said.

He said Jamaica will fulfill its obligations to supply 250,000 tonens of alumina to the Soviet Union over four years under a 1979 agreement. But this was not good for the image of Soviet-Jamaica relations that a small, poor third-world country like Jamaica is subsidising the Soviet Union, he added.

He said his government had re-negotiated for a new price of $245 per tonne from the original $180.
Reuter

MARKET PROFILE: HARD FIBRES

## Unctad pact plan fails

BY BRIJ KHINDARIA IN GENEVA

PLANS TO create a new national agreement to regulate markets for hard fibres — sisal and henequen, coir and abaca—have been shelved temporarily following failure at talks here between the main importers and exporters to agree on the need for such an accord.

The UN Conference on Trade and Development (UNCTAD) is promoting efforts by producers to obtain an international commodity agreement for hard fibres which would include buffer stocking arrangements to stabilise prices within agreed ranges. UNCTAD secretary general Mr Gamani Corea will now consult separately the main importers and exporters to assess the desirability of further meetings.

The fibres, used mainly to make twine, cords, bags and door mats, are losing ground to synthetic substitutes. So producers, which include some of the *world's poorest countries*, are keen to have a price stabilisation arrangement provided that they do not have to bear the entire costs of collecting, maintaining and running buffer stock systems.

One of the difficulties for producers has arisen because of their insistence on processing the raw materials domestically before export. This has left idle some milling capacity (mainly in Europe) and factory owners have modified their equipment to produce synthetic substitutes, so worsening export prospects for third world made fibre products.

The consumer countries — mainly the U.S. and th Common Market — are reluctant to enter into any international agreement which involves substantive economic obligations such as those arising from running buffer stock system. It is also difficult to decide which fibres might be stocked rather than others, because creating stocks for all the fibres is likely to be too expensive while raising managerial and technical problems.

The general emphasis of consumers is on helping producer countries to improve farming and marketing methods instead of on creating a price support system. However, both sides also failed to reach accord on the kinds of technical help needed.

The producers feel that their main need is investment funds and capital goods rather than technical advice alone, while the consumers feel that a commodity agreement should not become a backdoor for transfer of capital to producer countries.

As a result, the two-week talks that ended last Friday in Geneva did not reach conclusions on any of the main issues before it, including the proposed agreement's aims, market stabilisation methods, commodity development programmes and technical improvement projects.

The producers' positions received a small boost from a report prepared by Landell Mills Associates analysing the feasibility of a buffer stock system for sisal and henequen and their products.

The authors conclude that the study "demonstrates the feasibility and desirability of a buffer stocking system and shows it could be made to work in practcie."

## NZ wool prices rally

BY DAI HAYWARD IN WELLINGTON

CHINA and the USSR have been the big buyers of New Zealand wool this season, with orders of about 20,000 tonnes each. India was also prominent at sales in May.

A shortage of some types of wool and a strengthening demand in the closing months of the season saw wool prices move up in May.

The market indicator which has hovered around 247 cents per kilo for most of the season kept above 250c all month then on May 29, at the Dunedin sale, jumped to 261.5 cents a kilo. This is the highest point of the season so far.

However the average price at the end of May, 247 cents a kilo, is still nearly 20c per kilo less than last year's average seasonal price of 265c.

The managing director of the IWS, Doctor Gerald Laxer, has forecast in Christchurch a stronger world demand for wool in five years time as a result of IWS promotional activities.

The IWS estimates the wool consumption in developing countries is greater than West Germany and Japan added together.

*Our correspondent in Johannesburg writes:* South Africa's wool production reached 101.8m kg in the season which ended on May 31, compared to 99.8m kg in the previous 12 months, according to the Wool Board in Pretoria. The biggest clip on record was the 148m kg produced in 1966.

The board provisionally estimates the value of the 1980/81 clip at R209m, against R205.6m in 1979/80. As a result of severe drought in the main sheep farming areas however, the yield of clean fibre dropped from 57.8 per cent to 56.5 per cent, one of the biggest annual declines on record.

The 1981/82 season opens on August 27. South African wool auctions will no longer take place in Cape Town or East London. They will be centralised in Port Elizabeth and Durban, the country's main wool processing centres and export ports, from the beginning of next season.

## Japan accepts Common Fund agreement

JAPAN has accepted the United Nation's agreement on the establishment of a common fund for financing buffer stocks of commodity agreements, the foreign ministry said.

The agreement was adopted at a meeting of the UN Conference on Trade and Development in Geneva last June. Japan signed it in November and the Japanese parliament has now approved it.

Japan, which is to contribute about $61m to the fund, is the fifth country to accept the agreement.

Mr Gamani Corea, the Secretary-General of Unctad, has called for a resolute attack by both rich and poor countries on the problem of tumbling world commodity prices.

Mr Corea said that progress towards the setting up an integrated programme of international commodity pacts — agreed at an Unctad conference in 1976—had been "far too slow," and there was now a crisis on world commodity markets because of falling prices.
Reuter

# BRITISH COMMODITY MARKETS

## BASE METALS

The strength of sterling against the dollar prompted losses in base-metal prices on the London Metal Exchange. Copper fell to £888 prior to closing at £889.5, while Lead closed at £363 and Zinc at £424.5. Aluminium was finally quoted at £649.25. Tin fell to £6,490 but rallied on American physical demand to end the day at £6,531. Nickel was finally £3,150 after £3,130.

| COPPER | a.m. Official | + or — | p.m. Unofficial | + or — |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Wirebars | | | | |
| Cash | 863.5-4 | —16 | 863-4 | —8.25 |
| 3 months | 888-.5 | —16 | 888-.5 | —8.5 |
| Settlem't | 864 | —16 | — | — |
| Cathodes | | | | |
| Cash | 857.5-8 | —16 | 856.5-7 | —8 |
| 3 months | 878.5-9 | —15 | 877.5-8.5 | —7.75 |
| Settlem't | 858 | —16 | — | ...... |
| U.S. Prod | — | ...... | *82.5-7 | ...... |

Amalgamated Metal Trading reported that in the morning copper cash wirebars traded at £863.5, 64, three months £890, 89.5, 89, 88.5, 89, 88.5, 88, 88.5. Cathodes: Three months £878.5, 79. Kerb: Wirebars: Three months £888.5, 88, 88.5. Afternoon: Wirebars: Three months £888, 87.5, 88, 90, 89.5, 89, 88.5. Cathodes: Cash £856.5. Kerb: Wirebars: Three months £889, 89.5. Turnover: tonnes.

Lead—Morning: Cash £365.5, 65, 64, 64.25, 65; three months £362, 62.5, 62, 63, 62.5, 62. Kerb: Three months £361.5, 61. Afternoon: Three months £361, 62, 61.5. Kerb: Three months £364, 63, 63.5, 63. Turnover: tonnes.

| LEAD | a.m. Official | + or — | p.m. Unofficial | + or — |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Cash | 364-5 | —3.5 | 357.5-8.5 | —2.75 |
| 3 months | 361-2 | —4.75 | 366-.5 | —1.87 |
| S'ment | 360.5 | ...... | — | ...... |
| U.S. Spot | — | ...... | *38 | ...... |

Tin — Morning: Standard: Three months £6,490, 6,505, 10, 05. Kerb: Standard: Three months £6,505, 6,500, 6,495. Afternoon: Standard: Three months £6,510, 15, 20, 18. Kerb: Standard: Three months £6,520, 25, 31.

| TIN | a.m. Official | + or — | p.m. Unofficial | + or — |
|---|---|---|---|---|
| High Grade | £ | £ | £ | £ |
| Cash | 6370-80 | —62.5 | 6380-90 | +10 |
| 3 months | 6505-10 | —50 | 6518-20 | +15.5 |
| Settlem't | 6380 | —60 | — | ...... |
| Standard | | | | |
| Cash | 6370-70 | —62.5 | 6380-90 | +10 |
| 3 months | 6505-10 | —50 | 6518-20 | +15.5 |
| Settlem't | 6380 | —60 | — | ...... |
| Straits E. | $29.39 | —0.05 | | ...... |
| New York | — | ...... | | |

Zinc—Morning: Three months £421. Kerb: Three months £421, 20.5. Afternoon: Cash £431, 33.5; three months £421, 21.5, 22. Kerb: Three months £423, 24. Turnover: tonnes.

| ZINC | a.m. Official | + or — | p.m. Unoffic'l | + or — |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Cash | 431-2 | —3.37 | 421-2 | —1.75 |
| 3 months | 420-2 | —5 | 421-2 | —3.25 |
| S'ment | 422 | —3 | — | ...... |
| Primw'ts | | ...... | *45.5 | ...... |

Aluminium—Morning: Three months £648, 49, 48.5. Kerb: Three months £647.5. Afternoon: Three months £650, 49, 50. Kerb: Three months £650.5, 50, 49.5. Turnover: tonnes.

| Alumin'm | a.m. Official | + or — | p.m. Unoffici'l | + or — |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Spot | 627-8 | —7.25 | 628.5-9.5 | —2.75 |
| 3 months | 648.5-9 | —7 | 650-.5 | —2.25 |

Nickel — Morning: Three months £3,140. Kerb: Three months £3,135. Afternoon: Three months £3,145, 50, 55. Kerb: Three months £3,155.

| NICKEL | a.m. Official | + or — | p.m. Unoffici'l | + or — |
|---|---|---|---|---|
| Spot | 5085-90 | —48 | 5100-10 | +5 |
| 3 months | 3136-40 | —32 | 3150-5 | +5 |

† On previous unofficial close.
* Cents per pound. ‡ M$ per kilo.

## SILVER

Silver was fixed 25.15p an ounce lower for spot delivery in the London bullion market yesterday at 506.25p. U.S. equivalents of the fixing levels were: spot $10.15, down 39c; three-month $10.396, down 39.5c; six-month $10.967, down 42.7c; and 12-month $11.72, down 48.9c. The metal opened at 508p-515p ($10.15-$10.30) and closed at 501p-508p ($10.00-$10.15).

| SILVER per troy oz. | Bullion fixing price | + or — | L.M.E. p.m. Unoffic'l | + or — |
|---|---|---|---|---|
| Spot | 506.25p | —25.1 | 509p | —10.5 |
| 3 months | 522.00p | —4.85 | 524.5p | —11 |
| 6 months | 537.90p | —28.4 | — | ...... |
| 12months | 571.00p | —31.5 | — | ...... |

LME—Turnover 98 (72) lots of 10,000 ozs. Morning: Three months 525, 24, 23, 22.5, 21.5. Kerb: Three months 521.5, 22. Afternoon: Three months 520, 23, 23.5. Kerb: Untraded.

## COCOA

Futures remained under pressure as combined trade and commission house selling pushed prices down. The large volume traded also reflected active switch and arbitrage trading. Physical business, however, was modest, reports Gill and Duffus.

| COCOA | Yes'rday's Close | + or — | Business Done |
|---|---|---|---|
| July | 791-792 | —4.0 | 798-784 |
| Sept. | 821-822 | —6.0 | 831-816 |
| Dec. | 859-860 | —7.0 | 869-856 |
| March | 892-893 | —7.5 | 901-890 |
| May | 910-911 | —8.0 | 920-909 |
| July | 929-930 | —6.5 | 932-930 |
| Sept. | 947-948 | —6.5 | 955-949 |

Sales: 4,013 (2,882) lots of 10 tonnes.

ICCO Futures—Daily price for June 15: 76.38 (70.91); five-day average 73.23 (72.81).

## COFFEE

An active day saw values falling sharply as mainly commission house selling triggered stop-loss orders and long liquidation, reports Drexel Burnham Lambert. Fresh contract lows were established during the early session and a further decline was followed by late profit-taking which brought prices slightly away from the bottom.

| COFFEE | Yesterday's Close | + or — | Business Done |
|---|---|---|---|
| | £ per tonne | | |
| July | 770-72 | —71.5 | 828-85 |
| Sept | 792-93 | —66.5 | 843-80 |
| Nov | 787-89 | —68.5 | 840-78 |
| Jan | 780-85 | —67.0 | 803-80 |
| March | 780-85 | —67.5 | 838-79 |
| May | 780-85 | —65.0 | 840-92 |
| July | 780-90 | —65.0 | 840-94 |

Sales: 10,488 (3,294) lots of 5 tonnes.

ICO Indicator prices for June 15: (U.S. cents per pound). Comp. Daily ICA 1976 101.17 (101.83); 20-day average 108.51 (108.25).

## GAS OIL FUTURES

The market opened $1 lower before strengthening on news of higher physical prices and traded at around the highs for most of the day. In mid-afternoon, prices fell back on a strengthening dollar and a weaker New York market, reports Premier Man.

| Month | Yesterdys close | + or — | Business Done |
|---|---|---|---|
| | $ U.S. per tonne | | |
| June | 280.00 | +5.50 | 280.00-80.90 |
| July | 275.75 | —2.25 | 278.50-75.50 |
| August | 279.00 | —1.75 | 281.50-78.75 |
| September | 283.50 | —2.50 | 285.50-83.50 |
| October | 288.25 | —2.50 | 290.50-88.00 |
| November | 293.25 | —1.75 | 296.00-93.25 |
| December | 298.25 | —0.75 | 301.00-00.50 |
| January | 302.50 | —0.50 | 305.50-05.50 |
| February | 306.00 | —0.75 | — |

Turnover: 994 (983) lots of 100 tonnes.

## GRAINS

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 2 14 per cent June 111.25, July 110.75, Aug 110.25 transhipment East Coast sellers. U.S. Hard Winter 13½ per cent June 111.25, July 112.25, Aug 112.50 transhipment East Coast sellers. English Feed fob Sept 104, Oct 106, Nov 108, Dec 110 sellers East Coast. Maize: French June 127.50, July 128.00 transhipment East Coast seller. Barley: English Feed fob July/Aug 96.75 East Coast, Oct 99.50 East Coast sellers. Rest unquoted.

July wheat opened 15p lower, a weaker physical market and lack of buying support depressed values, which steadied on some short covering. New crop wheat saw considerable hedge selling pressure. Barley held about steady but again hedge selling eased values slightly, mainly in March, Acli reports.

| | WHEAT | | BARLEY | |
|---|---|---|---|---|
| Mnth | Yesterd'ys close | + or — | Yesterday close | + or — |
| July | 114.80 | —0.58 | — | — |
| Sep | 99.60 | —0.35 | 94.40 | —0.10 |
| Nov | 103.50 | —0.35 | 98.30 | —0.05 |
| Jan | 107.40 | —0.45 | 101.95 | —0.05 |
| Mar | 111.10 | —0.35 | 105.15 | —0.20 |
| May | 114.75 | —0.35 | 108.85 | —0.05 |

Business done—Wheat: July 115.00-114.75, Sept 99.85-99.70, Nov 103.85-103.50, Jan 107.80-107.55, March 111.35-111.10, May no trades. Sales: 129 lots of 100 tonnes. Barley: Sept 94.50-94.40, Nov 98.35-98.25, Jan 102.00-101.95, March 105.30-105.15, May 108.85 one trade. Sales: 66 lots of 100 tonnes.

HGCA — Locational ex-farm spot prices. Feed barley. S. East 105.90, S. West 107.20, W. Mids 104.50, N. West 104.40. The UK Monetary Coefficient for the week beginning Monday, June 22 (based on HGCA calculations using five days' exchange rates) is expected to remain unchanged.

## RUBBER

The London physical market opened steady, with moderate interest throughout the day, closing uncertain. Lewis and Peat reported a fob July price for No. 1 RSS in Kuala Lumpur of 274.5 (272.5) cents a kg and SMR 20 236.5 (236.0).

| No 1. R.S.S. | Yest'r'ys close | Previous close | Business Done |
|---|---|---|---|
| July | 62.80-63.50 | 61.30-62.50 | — |
| August | 63.80-64.10 | 63.20-63.40 | 66.60 |
| Jly-Sept | 64.00-64.20 | 63.10-63.20 | 64.00-63.60 |
| Oct-Dec | 66.70-66.80 | 65.50-66.00 | 67.20-66.50 |
| Jan-Mar | 69.60-69.70 | 68.70-68.80 | 69.80-69.40 |
| Apl-Jne | 72.50-72.70 | 71.60-71.80 | 72.40 |
| Jly-Sept | 75.40-75.60 | 74.60-74.70 | — |
| Oct-Dec | 78.50-78.60 | 77.60-77.70 | 78.50 |
| Jan-Mar | 81.50-81.60 | 80.50-80.70 | — |

Sales: 361 (353) lots of 15 tonnes, 4 (8) at 5 tonnes. Physical closing prices (buyer) were: Spot 62.00p (60.25p); July 63.00p (62.00p); Aug 63.75p (62.75p).

## COTTON

LIVERPOOL—No spot and shipment sales were reported. After the massive interest displayed in securing supplies over the weekend, the market reverted to its previous lethargy. Orders were scarce and activity negligible.

## SOYABEAN MEAL

The market opened 50p to £1 lower on light long liquidation, reports T. G. Roddick. Continued trade selling eased prices to close on lows of the day.

| | Yesterdys Close | + or — | Business Done |
|---|---|---|---|
| | £ per tonne | | |
| June | 131.50-33.0 | — | — |
| August | 129.30-29.5 | —2.85 | 132.10-29.40 |
| October | 132.50-32.8 | —2.95 | 134.80-32.60 |
| December | 136.50-36.8 | —2.00 | 138.00-36.60 |
| February | 139.00-40.0 | —2.25 | 139.50 |
| April | 138.50-42.5 | —2.95 | — |
| June | 138.00-47.0 | —1.75 | — |

Sales: 133 (40) lots of 100 tonnes.

## SUGAR

LONDON DAILY PRICE—Raw sugar £196.00 (£200.00) a tonne cif June-July-August shipments. White sugar daily price £214.00 (£215.00).

The market was confined within a £2 range in quiet trading conditions, reports C. Czarnikow.

| No. 4 Con-tract | Yest'rdy's Close | Previous Close | Business Done |
|---|---|---|---|
| | £ per tonne | | |
| Aug. | 194.75-94.95 | 202.50-05.00 | 202.50-94.25 |
| Oct. | 196.00-96.25 | 204.35-04.40 | 204.00-95.75 |
| Jan. | 198.60-97.00 | 205.25-05.40 | 198.50-96.75 |
| March | 198.75-99.00 | 206.75-07.00 | 206.75-89.50 |
| May | 201.25-01.50 | 209.00-09.50 | 205.50-01.15 |
| Aug | 202.50-03.00 | 210.00-10.50 | — |
| Oct. | 203.50-05.00 | 211.50-13.00 | — |

Sales: 6,314 (4,951) lots of 50 tonnes.

Tate and Lyle ex-refinery *price* for granulated basis white sugar was £342.5 (same) a tonne for home trade and £303.0 (£307.5) for export.

International Sugar Agreement (U.S. cents per pound) fob and stowed Caribbean port. Prices for June 15: Daily price 15.88 (15.63); 15-day average 16.83 (16.80).

## WOOL FUTURES

LONDON NEW ZEALAND CROSS-BREDS—Close (in order: buyer, seller, business). New Zealand cents per kilo. Aug 391, 396, nil; Oct 385, 392, 388; Dec 390, 392, 391-390; Jan 390, 394, 392-391; March 397, 401, 399-398; May 405, 408, 408; Aug 418, 421, 419-418; Oct 422, 426, 423-422; Dec 424, 430, 425. Sales: 36.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kilo. July 499.0, 500.0, 499.0-496.0; Oct 494.0, 495.0, 495.5-492.0; Dec 500.5, 501.0, 501.0-500.0; March 508.0, 510.0, 507.0-506.0; May 515.0, 515.9, 515.0; July 520.0, 521.0, 520.0; Oct 518.50, 519.0, untraded; Dec 524.0, 526.0, untraded. Sales: 79.

## POTATOES

LONDON POTATO FUTURES—The market was quiet, and generally featureless, reports Coley and Harper. Closing prices: Nov 57.30, +0.1 (high 57.30, low 57.00); Feb 66.20, same (high 66.20, low 66.00); April 73.20, same (high 73.30, low 73.00). Turnover: 44 (46) lots of 40 tonnes.

## MEAT/VEGETABLES

MEAT COMMISSION—Average Fatstock prices at representative markets on June 16. GB—Cattle, 95.07p per kg lw (−0.12). UK—Sheep, 175.24p per kg est dcw (+3.37). GB—Pigs, 76.65p per kg lw (−0.24).

SMITHFIELD—Pence per pound. Beef: Scottish killed sides 78.0 to 79.58. Ulster hindquarters 88.0 to 94.0, forequarters 55.0 to 58.0. Veal: Dutch Hinds and Ends 128.0 to 132.0. Lamb: English small 78.0 to 82.0, medium 78.0 to 81.0. Imported Frozen: New Zealand PL 68.0 to 68.0, PM 66.0 to 67.0. Pork: English, under 100 lb 48.0 to 54.0, 100-120 lb 47.5 to 52.0, 120-160 lb 46.0 to 50.0.

COVENT GARDEN—Prices for the bulk of produce, in sterling per package except where otherwise stated. Imported produce: Oranges—Outspan: Navels 48 4.90, 56 5.40, 72 5.10, 88 4.55, 112 4.40, 138 4.40, 150 4.00; Californian: 88/138 3.80-4.80; Jaffa: (base) Valencia Lates 56/189 4.20-4.90; Moroccan: Lates 48/113 3.30-5.00; Cypriot: Valencia Lates 66/144 3.80-4.60. Lemons—Spania: Trays 25/50 2.00-2.20, Boxes 60/100 5.00; Californian: 115/140 5.50; Italian: 100/120 4.50-4.80; Outspan: 80/100 5.00; Jaffa: Cartons 60/90 4.20-5.00. Grapefruit—Outspan: 40 4.00, 48 4.10, 56 3.90, 64 3.60, 72 3.50; Cypriot: 20 kg 40/64 4.80-5.20; Jaffa: 20 kg 36/75 3.85-4.75. Apples—S. African: Granny Smith 6.40-7.00, Golden Delicious 6.00-6.50, Starking 7.40-7.80; Chilean: Granny Smith 6.80-7.20, Starking 7.50, Richards 7.50; New Zealand: Granny Smith 6.80, Sturmer Pippins 7.00-7.20, Golden Delicious 6.00, Red Delicious 8.20; Tasmanian: Jonathans 6.80, Granny Smith 5.80, Sturmer Pippins 7.00; W. Australian: Granny Smith 7.50; U.S.: Red Delicious 9.50-10.50; French: Golden Delicious 40 lb 125/175 3.80-4.60; Italian: 40 lb Romes 60/70 4.40-4.60; British Columbian: McIntosh Reds ½ cartons 70/80 4.50. Pears—Belgian: Conference per lb 0.10-0.12; S. African: Packhams 6.00-6.50, Nelis 5.60; Tasmanian: Packhams 40 lb 6.80-7.20; New Zealand: Packhams 8.20; Victorian: Packhams 7.80-8.50. Nectarines—Spanish: 37/42 4.20-5.50. Plums—Spanish: Aosas 3/6 2.50-5.00; Japanese: 3/5 2.00-2.80. Apricots—Spanish: 11 lb 2.20-3.00. Cherries—U.S. 18 lb, per lb 0.90; French: 11 lb, per lb 0.40-0.45; Italian: 0.40-0.50; Turkish: 0.70-0.80. Gooseberries—Hungarian: 12 lb 2.80. Grapes—Chilean: Almeria 11 lb 7.00, Red Emperor 5.20, Ribea 7.00; Israeli: Perlette 9 lb 8.50.

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GRIMSBY FISH — Supply good, demand good. Prices at ship's side (unprocessed) per stone: Shelf cod £3.00-£5.00, codlings £2.50-£3.50. Large haddock £4.10, small £2.20-£3.00. Large plaice £5.00-£5.70, medium £5.00-£5.70, best small £3.60-£4.50. Skinned dogfish (large) £5.80-£6.60, medium £5.00-£5.80.

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HIDES—Birmingham: In most cases the market was firmer. Second clears. Ox: 31-35.5 kg. 42.5p kg (41.5p a kg); 26-30.5 kg, 44.8p a kg (43.3p a kg); 22-25.5 kg, 49.7p a kg (49.2p a kg). Light cows: 25.5 kg, 44.0p a kg (43.0p

## PRICE CHANGES

In tonnes unless otherwise stated.

| | June 16 1981 | + or — | Month ago |
|---|---|---|---|
| **Metals** | | | |
| Aluminium | £810/815 | ...... | £810/815 |
| Free Mkt | $1250/1280 | —5 | $1295/325 |
| Copper | | | |
| Cash w'bar | £863.5 | —8.25 | £840.5 |
| 3 mths | £888.25 | —8.5 | £864.25 |
| Cash Cathode | £856.75 | —8 | £834.75 |
| 3 mths | £878 | —7.75 | £853.75 |
| Gold troy oz | $462.5 | —8 | $479 |
| Lead Cash | £354.5 | —3.5 | £342 |
| 3 mths | £361.5 | —4.75 | £351.75 |
| Nickel | £3,504.58 | ...... | £3,504.58 |
| Freemkt | 275/285c | ...... | 298/305c |
| Platin'm'ry oz | £247.0 | ...... | £230 |
| Freemkt | £222.80 | —3.9 | £223.15 |
| Quicksilver† | $425/435 | ...... | $420/430 |
| Silver troy oz | 506.25p | —25.15 | 522.55p |
| 3 mths | 522.00p | —25.75 | 538.05p |
| Tin Cash | £6,385 | +10 | £6,092.5 |
| 3 mths | £6,519 | +15.5 | £6,212.5 |
| Tungsten22.04lb | $143.75 | ...... | $143.75 |
| Wolfrm 22.04 lb | $146/149 | ...... | $145/148 |
| Zinc Cash | £421.5 | —1.75 | £402.5 |
| 3 mths | £421.5 | —3.25 | £411.5 |
| Producers | $925 | ...... | $925 |
| **Oils** | | | |
| Coconut (Phil) | $590v | +5 | $565 |
| Groundnut | $640v | ...... | ‡ |
| Linseed Crude | £442 | ...... | £425 |
| Palm Malayan | $640z | +10 | $570 |
| **Seeds** | | | |
| Copra Philip | $380v | —5 | $385 |
| Soyabean(U.S.) | $302 | ...... | $315 |
| **Grains** | | | |
| Barley Fut.Sep | £94.40 | —0.1 | £95.60 |
| Maize | £127.5 | ...... | £126 |
| WheatFut.Sept | £99.60 | —0.35 | £101.90 |
| No2 HardWint | £111.25 | —1.5 | £106.75 |
| **Other commodities** | | | |
| Cocoa ship't* | £882 | —6 | £997 |
| Future Sept | £821.5 | —6 | £896.5 |
| CoffeeFt Sept | £792.5 | —66.5 | £1009 |
| Cotton A.Index | 87.50c | +0.25 | 87.80c |
| Gas oil July | $275.75 | —2.25 | $281.0 |
| Rubber (kilo) | 62p | +1.75 | 64.5p |
| Sugar (Raw) | £196xz | ...... | £177 |
| Woolt'ps 64s kl. | 359p kilo | ...... | 357p kilo |

‡ Unquoted. v June-July. w July-Aug. y July. z Aug. † Per 76-lb flask. * Ghana cocoa.

# AMERICAN MARKETS

NEW YORK, June 16.

The precious metals remained under pressure due to a lack of news from Poland and weakness in continental currencies. Copper was locked into a narrow trading range awaiting direction from the interest rates. Sugar rallied on a low volume weekly EEC tender. Cotton firmed on short covering and unfavourable crop news in the U.S. Coffee collapsed as the ICO delayed its decision on cutting back export quotas. Heating oil continued its downward slide as weakness in cash oil prices has intensified. Grain and soyabeans were under pressure as a major downward revision of U.S. maize export inspections more than offset bullish weather news, reported Heinold.

Copper—June 78.65 (78.65), July 79.15-79.20 (79.25), Aug 80.40, Sept 81.55-81.65, Dec 85.00-85.10, Jan 86.10, March 88.15, May 90.20, July 92.25, Sept 94.20, Dec 97.40, Jan 98.45, March 100.55.

Potatoes (round whites)—Nov 73.0-73.5 (74.6), Feb 79.0-81.0 (82.0), March 84.5, April 94.3-94.7. Sales: 548.

*Platinum (NY)—June 444.0 (444.3), July 445.0-447.0 (448.3), Aug. Nil, Oct. 465.5-466.5, Jan. 480.5, April 496.5, July 512.5.

*Gold (NY)—June 463.8-464.0 (462.2), July 466.8 (465.6), Aug. 472.0-473.0, Oct. 483.5-485.0, Dec. 494.0-496.0, Feb. 506.6, April 518.3, June 530.1, Aug. 541.9, Oct. 553.7, Dec. 565.6, Feb. 577.6, April 589.6.

¶Silver—June 1012.2 (1020.5), July 1013.0-1020.0 (1027.5), Aug 1032.0, Sept 1042.0-1050.0, Dec 1080.0, Jan 1089.0, March 1125.0, May 1151.0, July 1177.0, Sept 1203.2, Dec 1242.7, Jan 1255.7, March 1281.7. Handy and Harman bullion spot: 1015.0 (1040.0).

Sugar—No. 11: July 16.10-16.15 (15.62), Sept 16.25-16.35 (15.75), Oct 16.33, Jan 16.55, March 16.75-16.80, May 16.93, July 17.15, Sept 17.29, Oct 17.45.

Tin—582.00-595.00 (589.00-596.00).

CHICAGO, June 16.

Lard—Chicago loose 19.75 (same).

Live Cattle—June 69.75-69.85 (70.12), Aug 67.85-67.95 (68.47), Oct 65.25-65.35, Dec 66.10-66.20, Feb 67.17, April 68.25, June 69.50.

Live Hogs—June 50.90 (51.50), July 54.12-54.12 (55.62), Aug 55.15-55.20, Oct. 53.65-53.55, Dec 55.40-55.80, Feb 56.70-56.80, April 54.97, June 57.90, July 57.80.

‡‡Maize—July 347¾-348 (350¾), Sept 355¾-356 (358¾), Dec 362¾-363, March 376-376½, May 382½-383, July 386½.

Pork Bellies—July 53.36 (55.35), Aug 53.27-53.27 (55.27), Feb. 69.60-69.85, March 69.80-69.55, May 70.20, July 71.75, Aug 71.50.

†Soyabeans—July 736-735 (740½), Aug 741-742½ (746¼), Sept 747½-748, Nov 761-762, Jan 780-781, March 801, May 817, July 829½.

‖Soyabean Meal—July 210.3-210.5 (212.4), Aug 212.0-212.2 (214.5), Sept 214.2-214.8, Oct 215.7, Dec 221.0-221.3, Jan 224.2, March 231.0, May 234.7-235.0, July 238.0.

Soyabean Oil—July 22.87-22.90 (23.00), Aug 23.30-23.35 (23.44), Sept 23.73, Oct 24.03-24.10, Dec 24.78-24.80, Jan 25.00, March 25.65-25.55, May 26.15-26.05, July 26.40, Aug 26.50-26.60.

†Wheat—July 404¾-404¼ (408¾), Sept 423¼-423 (427¼), Dec 448-448½, March 468½, May 478½, July 488.

WINNIPEG, June 16. §Barley—July 145.50 (145.60), Oct 1-40.10 (140.60), Dec 140.10, March 141.30, May 143.10.

§Wheat—SCWRS 13.5 per cent protein content cif St Lawrence 249.87 (251.27).

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lbs). § $Can. per metric ton. §§ $ per 1,000 sq feet. ‡ Cents per dozen. †† $ per metric ton.

## Monday's closing prices

††Cocoa—July 1421 (1383), Sept 1514 (1469), Dec 1619, March 1793, May 1758, July 1813, Sept 1868. Sales: 2,385.

Coffee—"C" Contract: July 101.00-101.25 (103.63), Sept 101.40-101.50 (104.13), Dec 98.50-99.00, March 98.50, May 98.30, July 95.65-95.70, Sept 96.65. Sales: 2,313.

Cotton—No. 2: July 83.10-83.20 (82.57), Aug 82.00-83.00 (81.50), Oct 80.00-80.20, Dec 78.15-78.27, March 79.54-79.55, May 80.75-81.00, July 82.10-82.30, Oct 81.60-82.10. Sales: 4,600.

Heating oil (cents per U.S. gallon)—July 0.9114 (0.9105), Aug 0.9164 (0.9152), Sept 0.9263, Oct 0.9405, Nov 0.9535, Dec 0.9655, Jan 0.9800, Feb 0.9900, March 1.0060, April 1.0050, May 1.0075, June nil, July 0.9960, Aug 1.0025. Turnover: 2,132.

Orange Juice—July 132.50 (135.55), Sept 135.25 (136.55), Nov 137.70, Jan 140.10, March 141.60-141.80, May 142.90-143.25, July 144.20-144.50, Sept 145.50-145.80, Nov 146.80-147.25. Sales: 1,250.

NEW ORLEANS—Milled Rice Futures (cents per cwt of U.S. No. 2 long grain): Sept 2395 (2394), Nov 2306 (2305), Jan 2348, March 2379, May 2409.

# EUROPEAN MARKETS

ROTTERDAM, June 16.

Wheat—(U.S. $ per tonne): U.S. No. 2 Dark Hard Winter, 13.5 per cent, June/July 205, Aug 209, Sept 212. U.S. No. 2 Red Winter June 154, July 157.50, Aug 167. U.S. No. 2 Northern Spring, 14 per cent, June 205, July 203.50, Aug 201.50, Sept 202.50.

Maize—(U.S. $ per tonne): U.S. No. 3 Corn Yellow afloat June/July 157.50, Aug 160, Sept 162, Oct/Dec 166, Jan/March 175.

Soyabeans—(U.S. $ per tonne): U.S. No. 2 Yellow Gulfports afloat 289 buyer/293.50 sellers, June 297, July 296, Aug 297.50, Sept 300.50, Oct 304.25, Nov 304.50, Dec 311, Jan 316, Feb 322, March 326. Argentine June 289, July 299, Aug 292.50, Sept 297 sellers tradeless.

Soyameal—(U.S. $ per tonne): 44 per cent protein U.S. afloat 253, June 254, July 255, Aug 257, Sept 260, July/Sept 258.75, Nov/March 275 sellers. Brazil Pellets afloat 257 traded, June 258, July 261, Aug 264, Sept 271, Oct 277, Nov/March 292 sellers.

PARIS, June 16.

Cocoa—(FFr per 100 kg): July 890-910, Sept 951-959, Dec 991-999, March 1022-1035, May 1043-1053, July 1065-1079. Sales at call: Nil.

Sugar—(FFr per tonne): July expired, Aug 2310-2315, Oct 2260-2265, Nov 2270-2290, Dec 2290-2300, March 2385-2405, May 2395-2440, July 2400-2450, Aug 2410-2460. Sales at call: 32.

## INDICES

### FINANCIAL TIMES

| June 16 | June 12 | Month ago | Year ago |
|---|---|---|---|
| 251.41 | 253.32 | 252.94 | 264.90 |

(Base: July 1, 1952=100).

### MOODY'S

| June 15 | June 12 | Month ago | Year ago |
|---|---|---|---|
| 1088.6 | 1082.6 | 1080.3 | 1144.0 |

(December 31, 1931=100)

### DOW JONES

| Dow Jones | June 15 | June 12 | Month ago | Year ago |
|---|---|---|---|---|
| Spot | 381.30 | 379.68 | 392.62 | 428.07 |
| Fut'r's | 383.55 | 382.61 | 399.12 | 447.99 |

(Average 1924-25-26=100)

### REUTERS

| June 16 | June 15 | M'nth ago | Year ago |
|---|---|---|---|
| 1747.8 | 1753.2 | 1690.2 | 1665.9 |

(Base: September 18, 1931=100)

# LONDON STOCK EXCHANGE

# Equity leaders extend Monday's sharp upturn despite BP rumours but Gilts slip back after recent rise

**Account Dealing Dates**

**Option**

| *First Dealings | Declarations | Last Dealings | Account Day |
|---|---|---|---|
| June 1 | June 11 | June 12 | June 22 |
| June 15 | June 25 | June 26 | July 6 |
| June 29 | July 9 | July 10 | July 20 |

* "New-time" dealings may take place from 9.30 am two business days earlier.

London equity markets yesterday continued to derive encouragement from lessened upward pressures on transatlantic and, therefore, domestic interest rates. Government stocks, despite sterling's stability in the face of the bigger-than-expected North Sea oil price cut, failed to attract fresh investment funds and shed part of the previous day's sharp gains.

A squeeze on professional bear positions contributed to the extension of Monday's good advance in leading shares. Some genuine investment interest was reported, *but the upturn faltered* soon after midday when the ever-present rumours of **British Petroleum** fund-raising re-emerged. BP quickly lost firmness and reverted to 348p.

The general tone was also effected and most equity leaders came off the best in a market convinced that BP was about to announce a big cash call. In its absence, the tone improved slightly after-hours and BP closed a net 6 up at 356p. The FT Industrial Ordinary share index, which had stood 5.7 up at noon and 3.0 higher at 3.00 pm, closed 3.6 up on balance for a two-day advance of 15.6 to 551.4.

## Banks good again

Gilt-edged securities opened steadily but drifted back in the *absence of follow-through support.* Dealers were not surprised by the lack of demand after the sustained improvement of the previous six days. Longer maturities were affected most and looked distinctly easier in the late afternoon following disappointment with some U.S. Prime rate cuts of only ½ to 19½ per cent. Losses among the longs ranged to ¾ compared with only marginal falls in the shorts.

Demand for Traded options improved slightly and 1,536 contracts were completed of which calls accounted for 1,293. Nervousness over a possible rights issue prompted an active trade in **BP** *which recorded 97 calls* and 232 puts. Other stocks to attract a useful call business included **Grand Metropolitan** and **ICI** with 243 and 174 deals respectively.

**Microfilm Reprographics** made a successful debut in the unlisted securities market; from an opening level of 61p, the shares moved up to 66p compared with the placing price of 51p.

The banking sector gave another strong performance with the major clearers again in good demand on U.S. bid hopes. **NatWest** advanced 14 more to 382p, while **Lloyds** rose 12 to 380p and **Bank of Scotland** put on 10 afresh to 403p, after 405p. **Barclays** gained 8 to 428p but **Midland** closed only 3 dearer at *348p, after 352p. Merchant banks* were also well supported with **Brown Shipley** closing 20 higher at 470p and **Leopold Joseph** 13 to the good at 235p. Receding fears of higher UK interest rates helped Hire Purchases to make progress. Still reflecting an investment recommendation, **FNFC** rose 1½ to 29p, while **Moorgate Mercantile** improved 2 to 21p and **Provident Financial** appreciated 6 to 127p. **Wagon Finance** put on 3 to 44p.

Overshadowed of late by the activity in Composites following Allianz's move on Eagle Star, Life issues revived yesterday. Renewed support found stock in short supply and left **Pearl** 12 up at 406p and **Britannic** 10 dearer at 270p. **Equity and Law** rose 8 to 398p and **Hambro Life**, 390p, *and* ***London and Manchester***, 260p, firmed 7 and 6 respectively.

Breweries remained relatively firm. **Bass** rose 4 to 250p, while **Whitbread** closed a couple of pence better at 191p. **Greenall Whitley** put on 5 to 158p, while **Youngs** picked up the same amount to 235p.

Selective support was evident in the Building sector. Renewed demand lifted **Barratt Developments** 9 to 218p, while **Blockleys** continued firmly at 125p, up 7, along with **Ibstock Johnsen**, 5 higher at 67p. **Tarmac**, 370p, and **Costain**, 228p, improved 7 and 6 respectively. **Wm. Leech** hardened 3 to 86p and **Bellway** *a penny to 84p following the* abandonment of the planned merger. **Wight Holdings** improved 2½ more to 46p compared with the 30p per share cash offer from Thornwood Investments.

Among Chemicals, **ICI** touched 296p before settling at 292p, up 4. **Novo Ind. "B"** rose 10½ more to £125, a new high.

## Austin Reed good

Interest in Stores was mainly confined to secondary counters. **Polly Peck** remained in demand and closed 12 to the good at 338p, while **Wearwell** gained the turn to 93p, after 94p. **Cornell Dresses**, on the other hand, eased a couple of pence to 165p. Revived speculative demand lifted **Austin Reed** 8 to 88p; the "A" finished 6 dearer at 80p. **Bakers Household** firmed 4 to 148p awaiting today's half-timer.

Leading Electricals traded quietly, but finished on a firm note with **Plessey** closing 5 to the good at 320p and similar gains being recorded in **GEC**, 680p, and **Thorn EMI**, 390p. Selective support for secondary issues met with a ready response, while satisfactory preliminary results left **MK Electric** 7 higher at 227p. Renewed demand lifted **Pethow** 3 to 60p and **Derritron** a similar amount to 13p.

The Engineering leaders trended firmer again with **Hawker** outstanding at 326p, up 6. Among the scattered movements in secondary issues, **Serck** encountered speculative demand *and put on 8 to 44p.* ***Butterfield-Harvey*** firmed 3 to 25p, the poor annual results being outweighed by the forecast of a return to profitability in the current year. Occasional support lifted **Hall Engineering** 5 to 183p and **F. Pratt** a like amount to 88p. Revived demand lifted **Howard Machinery** 2 to 26p among smaller-priced issues.

Leading Foods closed with modest rises. **Tesco**, annual results today, added a fraction more to 61p. Speculative demand lifted **Argyll** 5 to 114p, and **Nurdin and Peacock** 8 to 240p. **Alpine Soft Drinks** put on 6 to 138p following the increased annual profits and the 100 per cent scrip issue.

## Scoteros better

Features were plentiful among secondary miscellaneous industrials. **Scoteros** jumped 10 to 132p on the announcement that Walter Alexander had increased its stake in the company to 24.3 per cent. **Crest Nicholson** advanced 9 to 170p in response to the increased interim profits and proposed 100 per cent scrip issue, while **Johnson Matthey** added a similar amount to 270p on buying ahead of today's results. Hopes of a boost to business from the Royal Wedding helped **Wedgwood** to rise 4½ more to 90p, while **Standard Fireworks** added 6 more to 136p on further consideration of the good results and proposed 50 per cent scrip issue. Comment on the result left **Ferguson Industrial** 8 higher at 92p and **Chamberlain Phipps** a few pence harder at 43p, after 44p. *Reflecting the chairman's* optimistic remarks, **Lesney** added 3 at 23p, while **Mettoy** and the **Deferred** improved 2 apiece in sympathy to 21p and 17p respectively. **English China Clays** rose 3 to 119p ahead of tomorrow's interim figures and **Foseco Minsep** advanced 11 to 256p on investment support. **MY Dart** encountered revived speculative *support at 39p, up 5, while* ***Powell Duffryn*** were also notable for a rise of 12 at 278p. **Cawoods** added 7 at 215p and **Hanson Trust** firmed 8 to 288p. **Inter-City Investment** put on 2½ to 164p and **Burndene** hardened a penny to 9p; the price of the latter was incorrect in yesterday's issue.

Leisure issues tended firmer. **Pleasurama** rose 15 to 335p in *belated response to favourable* Press comment, while the recent strength of sterling helped **Horizon**, 3 up at 265p, and **Saga**, 11 dearer at 338p. Support was also forthcoming for **Boosey and Hawkes**, 8 up at 172p, while **Trident TV A** closed a penny better at 52p despite the lower first-half profits.

Motors displayed a narrowly mixed appearance. Among Distributors, comment on the annual results lifted **Godfrey Davis** 4½ to 79p. **Kenning**, interim figures expected tomorrow, added a couple of pence to 86½p, while similar gains were seen in **Lookers**, 47p, and **Lex Service**, 111p. **Lotus** attracted renewed support and rallied 3 to 31p, but **ERF**, preliminary results Friday, eased the turn to 35p. *Components were again featured* by **Flight Refuelling**, 9 dearer at 363p, but **Lucas** were a volatile market and extended the previous day's rally to 198p before closing 4 lower on balance at 191p.

*First-half results from* ***Saatchi and Saatchi*** pleased the market, and the shares closed 11 better at 307p. Other advertising counters responded in sympathy with **Geers Gross** rising 4 to 121p, and **Mills and Allen** putting on 10 at 480p. Elsewhere, **Eucalyptus Pulp** attracted renewed support and rose 8 more to 200p.

Properties continued to reflect lessened pressures on interest rates. **Stock Conversion** put on 8 to 345p and **Land Securities** added 3 more to 392p. Elsewhere, **Countryside** improved 2 to 102p on the maintained interim dividend, while **Raglan** hardened to 15p following the chairman's optimistic statement. **Bradford** rose 4 to 230p following the results and **Allied London** *added a similar amount to 84p.* **Property Holding**, however, softened 2 to 166p, after 164p, after details of the proposed rights issue.

## Oils advance afresh

Oils maintained Monday's better trend. Helped by news of the $4.25 reduction in North Sea crude, **BP** improved to 358p, but with rights issue rumours still persisting, reacted to 348p before rallying to close 6 better on balance at 356p. **Shell**, also benefiting, closed 10 dearer at 358p. Elsewhere, **IC Gas** encountered buyers and put on 15 to 193p, while **Carless Capel**, up 8 at 128p, reflected news of the company's two new exploration licenses in southern England.

*Trusts made fresh headway.* **Gresham House** were noteworthy for a rise of 8 to 290p, while **City and Foreign** improved 4 to 91p.

Textiles were mixed. **Dawson International** added a penny more to 176p ahead of *preliminary figures expected today.* Demand in a narrow market lifted **Carpets International** 4 to 26p.

Among Tobaccos, **Bats** eased 3 to 360p in front of today's annual meeting.

## Golds under pressure

The fifth anniversary of the Soweto riots saw South African Gold shares come under persistent selling pressure as the bullion price dipped to close $8 lower at $462.50 an ounce.

The selling pressure, which came from all quarters, found the market lacking any form of support and share prices fell sharply after an initial markdown. The Gold Mines index dropped 17.3 to 327.5—its lowest *level for over three months.*

Heavyweights showed losses of around £2¼ common to **Randfontein**, £25¾, and **Western Holding**, £30, while **Free State Geduld** fell £1⅞ to a year's low of £16¼. Other heavyweights were generally around a point cheaper.

In medium and lower-priced issues, **Kinross** gave up 35 to 568p and **Blyvoor** 43 to 736p. **Grootvlei** were 13 off at 399p; *the price in yesterday's issue was* incorrect and should have read 412p.

Platinums weakened in line with Golds. **Impala** were 10 lower at 345p and **Rustenburg** 8 off at 226p.

Australians gave ground on currency considerations and the decline in overnight domestic markets.

The Canning Basin oil stocks fell sharply in early dealings but rallied on reports that Occidental have reiterated their conviction that the Blina 1 oil find is a commercial well.

**Vamgas** closed unaltered on balance at 862½p, after 857p. **Eagle** were finally 6 cheaper at 56p, after 54p, and **Swan** 5 lower at 78p, after 73p.

Among other down-under oils, **Bridge** advanced 29 to 415p following heavy buying in overnight markets. **Western Mining** continued to reflect adverse Press mention and fell a further 2 to 300p.

## NEW HIGHS AND LOWS FOR 1981

The following quotations in the Share Information Service yesterday attained new Highs and Lows for 1981.

### NEW HIGHS (107)

AMERICANS (6)
CANADIANS (1)
BANKS (8)
BEERS (4)
BUILDINGS (3)
CHEMICALS (3)
DRAPERY & STORES (4)
ELECTRICALS (2)
ENGINEERING (8)
FOODS (3)
HOTELS (1)
INDUSTRIALS (23)
INSURANCE (5)
LEISURE (2)
MOTORS (2)
PAPER (4)
PROPERTY (1)
TEXTILES (3)
TRUSTS (22)
OVERSEAS TRADERS (1)
RUBBERS (1)
TEAS (1)
MINES (1)

### NEW LOWS (24)

BRITISH FUNDS (7)
Exchr. 13¼pc '87 Treas. 13¼pc 1997
Treas. 12¼pc '92 Exchr. 12pc '99-02
Exchr. 10¼pc '95 Treas. 11½pc '03-07
Treas. 14pc 1998
AMERICANS (2)
Damson Oil Louisiana Land

BEERS (1)
Guinness
INDUSTRIALS (2)
Carlton Inds. European Ferries
MOTORS (1)
Airflow Streamliners
TRUSTS (2)
London Merchant 7¼pc Conv. Merc. Com. Market
OIL & GAS (5)
Atlantic Resources Falmouth Pet.
CCP North Sea Texaco 4¾pc Conv.
Ephinston Oil & Gas
MINES (4)
South African Land F.S. Geduld
Doelkraal Anglo American

## RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 1 | 82 | 12 |
| Corpns. Dom. and Foreign Bonds | 2 | 4 | 42 |
| Industrials | 408 | 120 | 842 |
| Financial & Props. | 219 | 38 | 240 |
| Oils | 25 | 23 | 41 |
| Plantations | 3 | 8 | 12 |
| Mines | 11 | 79 | 81 |
| Others | 44 | 73 | 68 |
| Totals | 732 | 422 | 1,338 |

## ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

| Stock | Closing price pence | Day's change | Stock | Closing price pence | Day's change |
|---|---|---|---|---|---|
| Barratt Devs. | 218 | + 9 | IC Gas | 193 | +15 |
| Britannic Assurance | 270 | +10 | Lloyds Bank | 380 | +12 |
| BP | 356 | + 6 | Pearl Assurance | 406 | +12 |
| Carless Capel | 128 | + 8 | Reed International | 258 | + 3 |
| Crest Nicholson | 170 | + 9 | Reed (Austin) "A" | 80 | + 6 |
| De La Rue | 715 | +20 | Saatchi and Saatchi | 307 | +11 |

## MONDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

| Stock | No. of price changes | Monday's closing price pence | Day's change | Stock | No. of price changes | Monday's closing price pence | Day's change |
|---|---|---|---|---|---|---|---|
| BICC | 14 | 252 | +14 | Lloyds Bank | 11 | 368 | +10 |
| Western Mining | 14 | 312 | − 8 | NatWest Bank | 11 | 368 | +10 |
| GEC | 13 | 675 | + 7 | Trafalgar House | 11 | 100 | + 4 |
| Midland Bank | 13 | 345 | +10 | Nthn Eng 'New' | 10 | 5pm | + 3 |
| GRE "New" | 12 | 62pm | + 7½ | Reed Intl. | 10 | 255xd | +11 |
| ICI | 12 | 288 | + 8 | Shell Transport | 10 | 348 | + 8 |
| Beecham | 11 | 217xd | +11½ | Unilever | 10 | 580 | + 7 |

## OPTIONS

**OPTIONS**

| First Dealings | Last Dealings | Last Declaration | For Settlement |
|---|---|---|---|
| June 8 | June 19 | Sept. 10 | Sept. 21 |
| June 22 | July 3 | Sept. 24 | Oct. 5 |
| July 6 | July 17 | Oct. 8 | Oct. 19 |

*For rate indications see end of Share Information Service*

Stocks favoured for the call included ICI, Premier Oil, FNFC, Beecham, Lonrho, Town and City Properties, Dunlop, Jessel Trust, Austin Reed A, ZCI, GEC (U.S.) and Comet Radiovision. Puts were arranged in Savoy A and Century Oil. No doubles were reported.

## FINANCIAL TIMES STOCK INDICES

| | June 16 | June 15 | June 12 | June 11 | June 10 | June 9 | A year ago |
|---|---|---|---|---|---|---|---|
| Government Secs. | 66.70 | 67.16 | 66.08 | 65.65 | 66.19 | 65.81 | 69.89 |
| Fixed Interest | 68.00 | 67.96 | 67.30 | 67.24 | 67.25 | 67.21 | 70.11 |
| Industrial Ord. | 551.4 | 547.8 | 535.8 | 556.2 | 542.3 | 545.6 | 468.0 |
| Gold Mines | 327.5 | 344.8 | 347.2 | 341.0 | 335.7 | 338.9 | 328.5 |
| Ord. Div. Yield | 5.84 | 5.88 | 6.01 | 6.01 | 5.94 | 5.91 | 7.84 |
| Earnings, Yld. % (full) | 11.62 | 11.70 | 11.96 | 11.96 | 11.81 | 11.76 | 18.42 |
| P/E Ratio (net) (*) | 10.74 | 10.66 | 10.45 | 10.44 | 10.57 | 10.61 | 6.61 |
| Total bargains | 19,322 | 21,000 | 19,818 | 19,062 | 19,105 | 19,744 | 25,446 |
| Equity turnover £m. | — | 172.80 | 167.54 | 147.25 | 223.39 | 131.84 | 172.31 |
| Equity bargains | — | 14,995 | 16,565 | 14,947 | 14,41[illegible] | [illegible]468 | 19,857 |

10 am 550.5. 11 am 553.0. Noon 553.5. 1 pm 551.2.
2 pm 551.1. 3 pm 550.8.
Latest Index 01-246 8026.
*Nil = 9.93.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

## HIGHS AND LOWS

| | 1981 High | 1981 Low | Since Compilat'n High | Since Compilat'n Low |
|---|---|---|---|---|
| Govt. Secs. | 70.61 (28/5) | 64.94 (5/6) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Int. | 72.01 (29/5) | 67.17 (8/6) | 150.4 (28/11/47) | 50.53 (3/1/75) |
| Ind. Ord. | 597.3 (30/4) | 446.0 (14/1) | 597.3 (30/4/81) | 49.4 (26/6/40) |
| Gold Mines | 431.1 (6/1) | 281.4 (29/1) | 558.9 (22/9/80) | 43.5 (26/10/71) |

## S.E. ACTIVITY

| | June 15 | June 12 |
|---|---|---|
| —Daily Gilt Edged Bargains | 191.6 | 151.5 |
| Equities Bargains | 97.2 | 107.2 |
| Value | 349.5 | 339.6 |
| 5-day Avrge. Gilt Edged Bargains | 180.5 | 182.2 |
| Equities Bargains | 99.0 | 98.5 |
| Value | 340.7 | 315.6 |

## FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

| | EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section | Tues., June 16, 1981 Index No. | Day's Change % | Est. Earnings Yield % (Max.) | Gross Div. Yield % (ACT at 30%) | Est. P/E Ratio (Net) | Mon. June 15 Index No. | Fri. June 12 Index No. | Thur. June 11 Index No. | Wed. June 10 Index No. | Year ago (approx.) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | CAPITAL GOODS (214) | 345.76 | +1.1 | 10.77 | 4.51 | 11.47 | 342.14 | 336.74 | 337.41 | 342.58 | 249.88 |
| 2 | Building Materials (25) | 302.39 | +1.4 | 13.91 | 5.80 | 8.70 | 298.32 | 294.14 | 292.17 | 298.01 | 247.10 |
| 3 | Contracting, Construction (28) | 559.80 | +1.6 | 16.56 | 5.03 | 7.07 | 550.93 | 545.85 | 546.18 | 552.62 | 369.41 |
| 4 | Electricals (28) | 1077.54 | +0.7 | 8.04 | 2.40 | 15.47 | 1069.90 | 1053.56 | 1056.29 | 1075.64 | 661.84 |
| 5 | Engineering Contractors (11) | 488.34 | +1.0 | 12.29 | 5.52 | 9.79 | 483.60 | 478.66 | 481.78 | 481.83 | 383.22 |
| 6 | Mechanical Engineering (70) | 214.33 | +1.0 | 13.21 | 5.67 | 9.44 | 212.21 | 208.55 | 209.56 | 211.92 | 167.56 |
| 8 | Metals and Metal Forming (13) | 162.96 | +1.5 | 9.67 | 7.32 | 13.47 | 160.51 | 157.66 | 159.11 | 161.13 | 163.40 |
| 9 | Motors (21) | 102.46 | −0.1 | 4.78 | 7.04 | 53.18 | 102.52 | 100.11 | 99.80 | 101.65 | 102.18 |
| 10 | Other Industrial Materials (18) | 378.56 | +1.7 | 10.04 | 5.26 | 11.92 | 372.21 | 364.92 | 366.38 | 371.12 | 0.00 |
| 21 | CONSUMER GROUP (195) | 285.79 | +0.8 | 12.51 | 5.59 | 9.74 | 283.52 | 278.85 | 278.94 | 280.06 | 230.11 |
| 22 | Brewers and Distillers (20) | 325.16 | +0.6 | 14.15 | 5.92 | 8.40 | 323.30 | 318.81 | 317.13 | 316.47 | 288.58 |
| 25 | Food Manufacturing (21) | 260.52 | +1.4 | 14.97 | 6.34 | 8.04 | 256.91 | 253.49 | 253.86 | 255.50 | 202.18 |
| 26 | Food Retailing (14) | 521.90 | +1.2 | 9.55 | 3.38 | 12.44 | 515.86 | 511.35 | 513.88 | 515.42 | 327.24 |
| 27 | Health and Household Products (7) | 337.38 | +0.3 | 8.21 | 4.34 | 14.52 | 336.38 | 326.76 | 326.14 | 326.20 | 217.62 |
| 29 | Leisure (22) | 430.31 | +1.2 | 11.74 | 5.11 | 10.33 | 425.38 | 417.01 | 418.55 | 422.91 | 333.00 |
| 32 | Newspapers, Publishing (12) | 505.70 | −0.2 | 11.62 | 5.61 | 12.19 | 506.58 | 499.97 | 502.61 | 503.24 | 437.71 |
| 33 | Packaging and Paper (13) | 150.97 | +0.6 | 13.26 | 7.06 | 8.97 | 150.01 | 147.34 | 148.01 | 149.26 | 134.81 |
| 34 | Stores (44) | 270.04 | +0.8 | 10.60 | 4.89 | 12.37 | 267.89 | 264.52 | 264.82 | 265.85 | 224.78 |
| 35 | Textiles (23) | 163.56 | +1.1 | 8.19 | 5.54 | 16.37 | 161.75 | 158.10 | 158.01 | 158.73 | 132.27 |
| 36 | Tobaccos (3) | 262.43 | −0.2 | 22.04 | 9.46 | 5.21 | 262.94 | 255.33 | 255.34 | 257.79 | 219.14 |
| 39 | Other Consumer (16) | 301.21 | +2.7 | 10.02 | 6.31 | 13.70 | 293.30 | 291.84 | 292.14 | 295.32 | 0.00 |
| 41 | OTHER GROUPS (79) | 230.92 | +1.2 | 13.25 | 6.58 | 9.18 | 228.13 | 224.95 | 224.94 | 226.61 | 217.54 |
| 42 | Chemicals (15) | 290.27 | +1.2 | 11.21 | 7.15 | 11.14 | 286.92 | 280.68 | 277.18 | 280.59 | 317.65 |
| 44 | Office Equipment (6) | 115.28 | +1.0 | 16.01 | 7.26 | 7.37 | 114.17 | 112.89 | 112.82 | 113.78 | 110.64 |
| 45 | Shipping and Transport (13) | 550.89 | +0.1 | 15.76 | 6.89 | 7.61 | 550.07 | 544.66 | 558.47 | 559.18 | 539.84 |
| 46 | Miscellaneous (45) | 299.09 | +1.8 | 13.94 | 5.64 | 8.65 | 293.94 | 291.84 | 293.41 | 294.51 | 261.79 |
| 49 | INDUSTRIAL GROUP (488) | 298.82 | +0.9 | 11.96 | 5.32 | 10.24 | 296.01 | 291.30 | 291.56 | 294.08 | 238.83 |
| 51 | Oils (12) | 751.86 | +2.2 | 23.71 | 7.48 | 4.68 | 735.97 | 730.07 | 738.35 | 742.68 | 827.08 |
| 59 | 500 SHARE INDEX | 335.31 | +1.2 | 13.94 | 5.68 | 8.52 | 331.49 | 326.66 | 327.52 | 330.20 | 285.20 |
| 61 | FINANCIAL GROUP (118) | 261.56 | +1.1 | — | 5.58 | — | 258.65 | 253.97 | 252.72 | 253.96 | 218.30 |
| 62 | Banks (6) | 268.62 | +2.2 | 34.02 | 6.75 | 3.42 | 262.75 | 256.37 | 254.87 | 254.81 | 242.44 |
| 63 | Discount Houses (10) | 280.22 | +2.3 | — | 8.05 | — | 274.04 | 273.13 | 274.14 | 274.14 | 263.88 |
| 64 | Hire Purchase (3) | 259.07 | +4.7 | 12.65 | 7.01 | 11.07 | 247.56 | 247.56 | 248.43 | 249.91 | 217.74 |
| 65 | Insurance (Life) (10) | 266.76 | +1.4 | — | 5.67 | — | 263.09 | 256.71 | 255.18 | 257.69 | 283.27 |
| 66 | Insurance (Composite) (9) | 170.13 | +0.5 | — | 7.49 | — | 169.25 | 166.64 | 164.41 | 165.44 | 141.98 |
| 67 | Insurance Brokers (8) | 394.09 | −0.9 | 11.33 | 5.89 | 11.98 | 397.57 | 391.70 | 387.52 | 397.31 | 315.47 |
| 68 | Merchant Banks (13) | 169.05 | +1.8 | — | 4.82 | — | 166.06 | 164.83 | 164.72 | 165.50 | 118.01 |
| 69 | Property (49) | 473.39 | +0.6 | 3.75 | 2.92 | 36.78 | 470.41 | 462.69 | 463.87 | 465.89 | 408.14 |
| 70 | Miscellaneous (10) | 182.36 | +1.2 | 17.45 | 5.68 | 6.96 | 180.23 | 177.66 | 177.08 | 176.49 | 134.39 |
| 71 | Investment Trusts (109) | 311.32 | +0.7 | — | 5.05 | — | 309.11 | 305.33 | 305.31 | 306.33 | 236.00 |
| 81 | Mining Finance (3) | 245.36 | −0.7 | 13.97 | 5.47 | 8.39 | 247.06 | 243.00 | 243.17 | 247.27 | 196.08 |
| 91 | Overseas Traders (20) | 453.19 | +1.0 | 11.09 | 6.56 | 11.28 | 448.83 | 449.52 | 451.12 | 459.50 | 392.28 |
| 99 | ALL-SHARE INDEX (750) | 320.07 | +1.1 | — | 5.64 | — | 316.69 | 312.02 | 312.36 | 314.77 | 268.95 |

### FIXED INTEREST

| | PRICE INDICES | Tues. June 16 | Day's change % | Mon. June 15 | xd adj. today | xd adj. 1981 to date |
|---|---|---|---|---|---|---|
| | British Government | | | | | |
| 1 | 5 years | 107.83 | −0.06 | 107.89 | — | 5.01 |
| 2 | 5-15 years | [illegible] | [illegible] | [illegible] | — | [illegible] |
| 3 | Over 15 years | [illegible] | [illegible] | [illegible] | — | [illegible] |
| 4 | Irredeemables | [illegible] | [illegible] | [illegible] | — | [illegible] |
| 5 | All stocks | [illegible] | [illegible] | [illegible] | — | [illegible] |
| 6 | Debentures & Loans | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 7 | Preference | [illegible] | [illegible] | [illegible] | — | [illegible] |

| | AVERAGE GROSS REDEMPTION YIELDS | | Tues. June 16 | Mon. June 15 | Year ago (approx.) |
|---|---|---|---|---|---|
| | British Government | | | | |
| 1 | Low | 5 years | 12.25 | 12.17 | 11.81 |
| 2 | Coupons | 15 years | 12.66 | 12.58 | 11.81 |
| 3 | | 25 years | 12.79 | 12.72 | 11.81 |
| 4 | Medium | 5 years | 14.01 | 13.94 | 13.19 |
| 5 | Coupons | 15 years | 14.55 | 14.42 | 13.26 |
| 6 | | 25 years | 14.12 | 13.91 | 13.21 |
| 7 | High | 5 years | [illegible] | [illegible] | [illegible] |
| 8 | Coupons | 15 years | [illegible] | [illegible] | [illegible] |
| 9 | | 25 years | [illegible] | [illegible] | [illegible] |
| 10 | Irredeemables | | [illegible] | [illegible] | [illegible] |
| 11 | Debs & Loans | 5 years | [illegible] | [illegible] | [illegible] |
| 12 | | 15 years | [illegible] | [illegible] | [illegible] |
| 13 | | 25 years | [illegible] | [illegible] | [illegible] |
| 14 | Preference | | [illegible] | [illegible] | [illegible] |

† Flat yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 26½p.

## RECENT ISSUES

### EQUITIES

[illegible]

### FIXED INTEREST STOCKS

[illegible]

### "RIGHTS" OFFERS

[illegible]

## UNIT TRUST SERVICE

### OFFSHORE & OVERSEAS—contd.

[illegible]

# AUTHORISED UNIT TRUSTS

# FT UNIT TRUST INFORMATION SERVICE

**Abbey Unit Tst. Mngrs. (a)**
72-80, Gatehouse Rd., Aylesbury 0296 5941

| | | | | |
|---|---|---|---|---|
| Abbey Am. Gth. Tst. | 62.6 | 67.3 | -1.5 | 2.15 |
| Abbey Capital | 50.7 | 54.8 | +0.6 | 4.01 |
| Abbey General | 59.8 | 64.4 | +0.7 | 4.76 |
| Abbey Gilt & F.I. Tst. | 102.1 | 107.5 | +0.1 | 12.19 |
| Abbey Income | 39.0 | 42.2 | +0.2 | 8.32 |
| Abbey W'w.Bd.Tst. | 93.2 | 98.6 | -0.6 | 6.80 |
| Abbey Inv. Ts. Fd. | 53.8 | 58.2 | +0.3 | 4.12 |
| Equitas Prog. Tst. | 85.0 | 91.9 | +0.9 | 4.45 |

**Allen Harvey & Ross Unit Tst. Mngrs.**
45, Cornhill, London EC3V 3PB. 01-623 6314
| | | | | |
|---|---|---|---|---|
| AHR Gilt Trust | 83.4 | 88.2 | ..... | 12.95 |

**Allied Hambro Ltd. (a) (g)**
Hambro Hse., Hutton, Brentwood, Essex. 01-588 2851 or Brentwood (0277) 211459

Balanced Funds
| | | | | |
|---|---|---|---|---|
| Allied 1st | 95.2 | 101.9 | +1.4 | 5.50 |
| Brit. Inds. Fund | 80.6 | 86.2 | +1.0 | 5.92 |
| Growth & Income | 55.2 | 59.1 | +0.8 | 4.25 |
| Elect. & Ind. Dev. | 47.6 | 50.9 | +0.6 | 4.91 |
| Allied Capital | 102.8 | 110.0 | +1.3 | 4.00 |
| Hambro Fund | 138.9 | 148.6 | +1.8 | 5.40 |
| Hambro Acc. Fund | 195.2 | 208.9 | +2.6 | 3.93 |

Income Funds
| | | | | |
|---|---|---|---|---|
| High Yield Fd. | 71.9 | 76.9 | +0.6 | 7.80 |
| High Income | 85.7 | 91.7 | +1.1 | 6.98 |
| Equity Income Fd. | 49.5 | 53.0 | +0.6 | 6.91 |
| Govt. Secs. | 24.4 | 25.0 | ..... | 12.40 |

International Funds
| | | | | |
|---|---|---|---|---|
| International | 39.7 | 41.8 | -0.3 | 1.99 |
| Japan Fund | 29.6 | 31.7 | -0.4 | 0.20 |
| Pacific Fund | 80.1 | 85.7 | -0.9 | 0.85 |
| Secs. Of America | 87.0 | 93.1 | -1.2 | 1.77 |

Specialist Funds
| | | | | |
|---|---|---|---|---|
| Smaller Co.'s Fd. | 60.6 | 64.8 | +0.5 | 4.01 |
| 2nd Smlr. Co's Fd. | 75.0 | 80.2 | +0.7 | 3.74 |
| Recovery | 29.4 | 31.4 | +0.3 | 4.48 |

**Craigmount Unit Tst. Mgrs. Ltd.**
Bucklersbury, London EC4N 8BD. 01-248 4984
| | | | | |
|---|---|---|---|---|
| High Income | 37.7 | 41.2 | +0.4 | 11.03 |
| North American | 72.2 | 78.0 | -1.0 | 2.18 |
| Canadian Exempt* | 76.9 | 81.3 | -2.0 | 2.84 |
| Canadian Trust | 71.1 | 76.8 | -1.3 | 2.30 |
| Mid Mount High Inc.* | 50.3 | 53.2 | ..... | 9.05 |
| Recovery | 59.1 | 64.0 | +0.4 | 6.65 |
| Gilt Trust | 42.4 | 43.3 | +0.1 | 13.37 |

*Weekly dealing day Wednesday.

**Crescent Unit Tst. Mngrs. Ltd. (a)(g)**
4 Melville Cres., Edinburgh 3 031-226 4931
| | | | | |
|---|---|---|---|---|
| Cres. Amer. Fd. | 48.4 | 52.3 | -0.6 | 0.48 |
| Cres. Internat'l. | 92.9 | 100.3 | -0.4 | 1.56 |
| Cres. High. Dist. | 45.5 | 49.1 | +0.5 | 9.67 |
| Cres. Reserves | 53.8 | 58.1 | +1.2 | 5.16 |
| Cres. Tokyo | 40.3 | 43.5 | -0.2 | 0.37 |

**Dartington Unit Trust Mngt. Ltd.**
Bridge Chambers, Barnstaple, Devon 0271 76324
| | | | | |
|---|---|---|---|---|
| Total Perf. Unit Tst. | 23.7 | 25.1 | +0.1 | 8.31 |

**Discretionary Unit Fund Managers**
36/38 New Broad St, EC2M 1NU. 01-638 4485
| | | | | |
|---|---|---|---|---|
| Disc. Inc. June 12 | 252.0 | 268.8 | ..... | 4.94 |

**E. F. Winchester Fund Mngt. Ltd.**
44, Bloomsbury Square, WC1A 2RA 01-623 8893
| | | | | |
|---|---|---|---|---|
| Great Winchester | 19.9 | 22.0 | ..... | 7.48 |
| Gt. Winchester O'seas | 30.5 | 33.8 | ..... | 2.98 |

For Exeter and Dudley see Robert Fraser Tst. Mgmnt.

**Equity & Law Un. Tr. M.♥ (a)(b)(c)**
Amersham Rd., High Wycombe. 0494 33377
| | | | | |
|---|---|---|---|---|
| Equity & Law | 96.3 | 101.3 | +0.9 | 4.27 |

**Fidelity International Management Ltd.**
62-63 Queen St, London EC4 1AD 01-248 4891
| | | | | |
|---|---|---|---|---|
| American (z) | 45.5 | 49.0 | -0.8 | 0.46 |
| Amer. Spec. Sits. (z) | 32.8 | 35.3 | -0.3 | 0.13 |
| Gilt + Fixed Int. | 23.8 | 25.0 | +0.1 | 12.80 |
| Growth + Income | 35.1 | 37.8 | +0.4 | 6.86 |
| Maximum Inc. Eq. Tst. | 30.5 | 32.8 | +0.3 | 7.98 |
| Special Sits. | 43.6 | 46.9 | +0.1 | 1.62 |

**James Finlay Unit Trust Mngt. Ltd.**
10-14, West Nile Street, Glasgow. 041-204 1321

**Lloyd's Life Unit Tst. Mngrs. Ltd.**
2, St. Mary Axe, EC3A 8BP. 01-623 6114
| | | | | |
|---|---|---|---|---|
| Equity Accum. (2) | 259.9 | 273.5 | ..... | 3.98 |

**Local Authorities' Mutual Invest. Tst.***
77, London Wall, EC2N 1DB. 01-588 1815
| | | | | |
|---|---|---|---|---|
| Pro. Fund May 31 | 150.70 | | ..... | 6.76 |
| Wider Fund May 31 | 274.60 | | ..... | 4.92 |
| Narrower Fd. May 31 | 75.50 | | ..... | 13.50 |

*Unauthorised. Available only to Local Authorities.

**M & G Group (y)(c)(z)**
Three Quays, Tower Hill, EC3R 6BQ. 01-626 4588
| | | | | |
|---|---|---|---|---|
| American | 76.3 | 81.3 | -0.8 | 1.87 |
| (Accum. Units) | 82.0 | 87.3 | -0.9 | 1.87 |
| American Recovery | 89.5 | 95.8 | -0.7 | 1.19 |
| (Accum. Units) | 92.4 | 98.9 | -0.8 | 1.19 |
| Australasian | 112.4 | 120.3 | +0.1 | 0.85 |
| (Accum. Units) | 117.7 | 125.9 | +0.1 | 0.85 |
| Commodity | 148.9 | 159.3 | +0.9 | 2.74 |
| (Accum. Units) | 175.0 | 187.3 | +1.0 | 2.74 |
| Compound Growth | 193.8 | 209.3 | +1.4 | 2.88 |
| Conversion Growth | 131.1 | 140.3 | +0.3 | 2.14 |
| Conversion Income | 79.0 | 84.5 | +0.4 | 9.00 |
| Dividend | 136.9 | 147.2 | +2.0 | 8.95 |
| (Accum. Units) | 313.2 | 336.7 | +4.5 | 8.95 |
| European | 60.1 | 64.6 | +0.4 | 3.49 |
| (Accum. Units) | 65.9 | 70.8 | +0.4 | 3.49 |
| Extra Yield | 88.6 | 95.7 | +0.8 | 9.12 |
| (Accum. Units) | 144.1 | 155.6 | +1.2 | 9.12 |
| Far Eastern | 140.7 | 150.9 | -0.1 | 1.01 |
| (Accum. Units) | 160.9 | 172.2 | -0.1 | 1.01 |
| Fund of Inv. Tsts. | 99.6 | 107.1 | +0.7 | 4.28 |
| (Accum. Units) | 135.9 | 146.1 | +0.9 | 4.28 |
| General | 242.4 | 260.6 | +3.0 | 5.78 |
| (Accum. Units) | 420.1 | 451.6 | +5.3 | 5.78 |
| Gilt Income | 45.2 | 47.5 | +0.8 | 10.79 |
| (Accum. Units) | 46.9 | 49.2 | +0.7 | 10.79 |
| High Income | 115.8 | 123.9 | +1.4 | 8.58 |
| (Accum. Units) | 238.8 | 255.5 | +2.9 | 8.58 |
| Japan | 193.9 | 207.5 | +0.3 | 0.55 |
| (Accum. Units) | 204.0 | 218.3 | +0.3 | 0.55 |
| Magnum | 360.7 | 382.3 | +2.8 | 5.08 |
| (Accum. Units) | 498.8 | 528.7 | +3.8 | 5.03 |

**Schroder Unit Trust Managers Ltd.**
48, St. Martins Lane, WC2. Dealings 0705 27733
| | | | | |
|---|---|---|---|---|
| Capital | 181.9 | 195.8 | -0.7 | 2.37 |
| (Accum. Units) | 235.5 | 253.2 | -0.7 | 2.37 |
| Income Fnd. | 234.2 | 251.8 | +4.8 | 7.63 |
| (Accum. Units) | 414.3 | 445.4 | +8.6 | 7.63 |
| Gen. | 141.6 | 149.0 | +2.7 | 3.50 |
| (Accum. Units) | 191.8 | 201.8 | +2.7 | 3.50 |
| Europe | 21.4 | 23.0 | ..... | 2.70 |
| (Accum. Units) | 25.5 | 27.4 | ..... | 2.70 |
| Smaller Co.'s | 156.9 | 168.7 | +1.1 | 2.53 |
| American | 57.4 | 61.7 | -1.9 | 0.52 |
| (Accum. Units) | 57.4 | 61.7 | -1.9 | 0.52 |
| Tokyo | 57.8 | 62.1 | -0.1 | 0.20 |
| (Accum. Units) | 57.8 | 62.1 | +1.0 | 0.20 |
| Gilt & Fixed | 46.6 | 49.0 | ..... | 11.43 |
| (Accum. Units) | 46.6 | 49.0 | ..... | 11.43 |
| Australian | 54.8 | 59.5 | -0.5 | 1.78 |
| (Accum. Units) | 54.8 | 59.5 | -0.6 | 1.78 |
| *Pn.&C. Fd. May 26 | 246.0 | 258.9 | ..... | 4.84 |
| *Recovery June 9 | 321.0 | 337.8 | ..... | 3.80 |
| *Spec. Ex. June 9 | 506.6 | 533.2 | ..... | 1.94 |
| *Euro. Exempt June 4 | 105.5 | 111.0 | ..... | 1.83 |

*For tax exempt funds only.

**Scottish Amicable Inv. Mngrs. Ltd.**
150 St. Vincent St., Glasgow 041-221 8844
| | | | | |
|---|---|---|---|---|
| Equity Trust Accum. | 104.9 | 113.2 | +1.3 | 5.47 |

**Scottish Equitable Fnd. Mgrs. Ltd.♥**
28 St. Andrews Sq. Edinburgh 031-556 9101
| | | | | |
|---|---|---|---|---|
| Income Units | 66.6 | 70.8 | +1.2 | 4.94 |
| Accum. Units | 86.0 | 91.5 | +1.5 | 4.94 |

Dealing day Wednesday.
For Sebag see Carr, Sebag Unit Trust Managers.
For Security Selection see McAnally Fund Management.

**SIMCO Money Funds**
66, Cannon Street, EC4N 6AE. 01-236 1425
| | | | | |
|---|---|---|---|---|
| SIMCO Call Fund† | 100.0 | — | ..... | 11.06 |
| SIMCO 7-Day Fund† | 100.0 | — | ..... | 11.34 |

†Unauthorised—Cash Deposit Funds.

**Stewart Unit Tst. Managers Ltd.(a)**

**Cannon Assurance Ltd.**
1 Olympic Way, Wembley HA9 0NB. 01-902 8876
| | | | | |
|---|---|---|---|---|
| Equity Units | £26.27 | — | +0.01 | — |
| Property Units | £14.39 | — | +0.01 | — |
| Equity Bond/Exec. | £17.52 | 18.54 | +0.01 | — |
| Prop. Bond/Exec. | £18.85 | 19.95 | ..... | — |
| Bal. Bd./Exec/Unit | £17.80 | 18.86 | +0.10 | — |
| Deposit Bond | 141.1 | 149.3 | +0.2 | — |
| Equity Accum. | | 317.9 | +0.1 | — |
| Property Accum. | | £20.09 | +0.01 | — |
| Mngd. Accum. | | 247.4 | +1.2 | — |
| 2nd Equity | 139.0 | 147.1 | +0.1 | — |
| 2nd Property | 146.2 | 154.7 | ..... | — |
| 2nd Managed | 131.7 | 139.4 | +0.8 | — |
| 2nd Deposit | 123.5 | 130.7 | +0.3 | — |
| 2nd Gilt | 101.1 | 107.0 | +1.5 | — |
| 2nd. American | 140.7 | 148.9 | -3.2 | — |
| 2nd Intl. Money | 111.5 | 118.0 | -0.3 | — |
| 2nd Eq. Pens./Acc. | 171.5 | 181.5 | ..... | — |
| 2nd Prp. Pens./Acc. | 169.8 | 179.7 | +0.1 | — |
| 2nd Mgd. Pens/Acc. | 153.1 | 162.0 | +0.7 | — |
| 2nd Dep. Pens/Acc. | 145.3 | 153.8 | +0.5 | — |
| 2nd Gilt Pens/Acc. | 119.4 | 126.3 | +1.6 | — |
| 2nd Am. Pens/Acc. | 167.5 | 177.2 | -4.6 | — |
| 2nd Int. MoneyPens/Acc | 117.3 | 124.1 | -0.6 | — |
| L & E S.I.F. | 54.5 | 57.5 | ..... | — |
| L & E S.I.F. 2 | 37.5 | 40.0 | ..... | — |

Current value June 15.

**Capital Life Assurance♥**
Coniston House, Chapel Ash W'ton. 0902 28511
| | | | | |
|---|---|---|---|---|
| Key Invest. Fd. | | 115.55 | ..... | — |
| Pacemaker Inv. Fd. | | 85.49 | ..... | — |

**Charterhouse Magna Gp.♥**
Stephenson Hse., Brunel Centre, Bletchley, Milton Keynes. 0908 641272
| | | | | |
|---|---|---|---|---|
| Chrthse Energy | | 63.0 | ..... | — |
| Magna Bld. Soc. | | 165.2 | ..... | — |
| Magna Managed | | 168.3 | ..... | — |

**Chieftain Assurance Funds**
11 New Street, EC2M 4TP. 01-283 3933
| | | | | |
|---|---|---|---|---|
| Managed Growth | 209.00 | 220.01 | +0.84 | — |

# INSURANCE PROPERTY BONDS

# OFFSHORE & OVERSEAS FUNDS

Continued on previous page

# FT SHARE INFORMATION SERVICE

## BRITISH FUNDS

| 1981 High | 1981 Low | Stock | Price £ | + or − | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| | | **"Shorts" (Lives up to Five Years)** | | | | |
| 99⅞ | 99½ | Exch. 9½pc 1981 | 99⅞ | ..... | 9.53 | 12.02 |
| 98½ | 93⅞ | Exch. 3pc 1981 | 98½ | +⅛ | 3.05 | 12.06 |
| 99⅞ | 99⅛ | Treas. Variable '81§§ | 99¾ | ..... | 12.61 | 13.16 |
| 100½ | 99⅞ | Exch. 12¾pc 1981‡‡ | 100⅛ | ..... | 12.73 | 12.22 |
| 98⅛ | 95⅞ | Treas. 8½pc '80-82‡‡ | 98⅛xd | ..... | 8.66 | 11.97 |
| 95 | 91⅞ | Treasury 3pc '82‡‡ | 94¼ | ..... | 3.18 | 12.18 |
| 102⅞ | 100½ | Treasury 14pc '82‡‡ | 101 | ..... | 13.86 | 12.41 |
| 99⅞ | 98⅞ | Treas. Variable '82§§ | 99⅜ | ..... | 12.65 | 13.26 |
| 96¼ | 93⅞ | Treasury 8¼pc '82 | 96⅛xd | −⅛ | 8.58 | 12.33 |
| 96⅞ | 93⅞ | Exch. 9¼pc 1982 | 95½ | −⅛ | 9.69 | 13.11 |
| 95 | 92⅞ | Exch. 8¾pc 1983 | 94⅞xd | −⅛ | 9.22 | 12.48 |
| 89¼ | 84⅞ | Exch. 3pc 1983 | 88⅝ | ..... | 3.39 | 10.53 |
| 99⅞ | 96⅛ | Treasury 12pc 1983‡‡ | 97⅞ | −⅛ | 12.26 | 13.33 |
| 98⅞ | 96¾ | Treas. Variable '83§§ | 98¼ | ..... | 12.73 | 13.30 |
| 94⅛ | 91¼ | Treasury 9¼pc '83 | 94xd | −⅛ | 9.84 | 12.65 |
| 101⅞ | 98¼ | Exch. 13½pc '83 | 99⅞ | −⅛ | 13.52 | 13.51 |
| 94⅛ | 91¼ | Exch. 10pc 1983 | 93¼ | −⅛ | 10.72 | 13.27 |
| 87¼ | 84½ | Funding 5½pc '82-84‡‡ | 86¼xd | ..... | 6.38 | 11.85 |
| 96¼ | 93 | Exch. 11¼pc 1984 | 94¾ | −⅛ | 11.87 | 13.62 |
| 103⅞ | 98⅞ | Exchequer 14pc 1984 | 100⅝ | −⅛ | 13.91 | 13.71 |
| 80⅝ | 78½ | Exch. 3pc 1984 | 80¼xd | ..... | 3.74 | 10.88 |
| 98⅜ | 94 | Treasury 12pc 1984 | 95¾ | −⅛ | 12.53 | 13.59 |
| 107¼ | 101⅞ | Treasury 15pc 1985 | 103⅝ | −⅛ | 14.48 | 13.68 |
| 98⅞ | 93⅛ | Exch. 12pc Cnv. '85 | 95¼ | −⅛ | 12.0 | 13.62 |
| 75¼ | 73¼ | Treasury 3pc 1985 | 75¼ | ..... | 3.99 | 10.91 |
| 96⅞ | 91½ | Treasury 11½pc 1985 | 93⅜ | −⅛ | 12.32 | 13.67 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### Five to Fifteen Years

### Over Fifteen Years

### Undated

## INTERNATIONAL BANK

## CORPORATION LOANS

## COMMONWEALTH AND AFRICAN LOANS

## LOANS

### Public Board and Ind.

### Financial

## FOREIGN BONDS & RAILS

## AMERICANS

## CANADIANS

## BANKS AND HIRE PURCHASE

### Hire Purchase, etc.

## BEERS, WINES AND SPIRITS

## BUILDING INDUSTRY, TIMBER AND ROADS

## CHEMICALS, PLASTICS

## DRAPERY AND STORES

## ELECTRICALS

## ELECTRICALS—Continued

## ENGINEERING MACHINE TOOLS

## FOOD, GROCERIES, ETC.

## FOOD, GROCERIES—Cont.

## HOTELS AND CATERERS

## INDUSTRIALS (Miscel.)



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هكذا من الأصل



## INDUSTRIALS—Continued

| 1981 High | Low | Stock | Price | + or − | Div. Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| 67 | 40 | Hewitt (J.) | 51 | ...... | 1.8 | 8.8 | 5.0 | 2.6 |
| 50 | 26 | Highgate & Job 5p | 43 | | — | — | — | — |
| 124 | 40 | Hill (Chas.) £1 | 112 | +2 | — | — | — | — |
| 37 | 16 | Hirst Mal'son 20p | 32 | ...... | †0.1 | — | 0.4 | — |
| 100 | 86 | Holden (A.) | 100 | +2 | 5.0 | 3.3 | 7.1 | 4.9 |
| 47 | 24 | Hollis Bros | 40 | −1 | £1.4 | — | ‡ | — |
| 77 | 55 | Holt Lloyd Int. 10p | 63 | ...... | 3.17 | ф | 7.2 | ф |
| 163 | 110 | Hoover 'A' | 130 | ...... | 6.0 | — | 6.6 | — |
| 78 | 39 | Hopkins & H 20p | 76 | ...... | 2.0 | — | 3.8 | — |
| 66 | 48 | Howard Tenens | 65 | +1 | ‡2.28 | 2.0 | ‡ | 12.0 |
| 420 | 250 | Hunting Assoc. | 312xd | ...... | 5.0 | ф | 2.3 | ф |
| 160 | 112 | Huntleigh 10p | 130 | −2 | 1.5 | 3.8 | 1.6 | 16.2 |
| 201 | 120 | Hutch Whamp $HK1 | 195 | −4 | Q32c | ф | 1.4 | ф |
| 15 | 12 | Hyman (I. & J.) 5p | 12½ | +½ | 0.83 | 3.9 | 9.5 | 3.8 |
| £20¾ | £12⅞ | I.C. Industries§ | £19¾ | −⅞ | Q$2.20 | — | 5.4 | — |
| 70 | 32 | ICL | 36 | ...... | ‡2.97 | — | ‡ | — |
| 44 | 35 | Ingall Inds. 10p | 40 | ...... | ‡2.5 | 1.6 | 8.9 | 11.1 |
| 241 | 188 | Initial Services | 230 | −1 | 7.5 | 2.3 | 4.7 | 11.4 |
| 18½ | 9 | Inter-City 20p | 16½ | +2½ | — | — | — | — |
| 78 | 39 | J. B. Holdings 10p | 72 | −1 | 3.0 | 4.9 | 6.0 | 4.7 |
| 192 | 110 | Jacksons Bourne | 175 | ...... | 5.0 | 3.3 | 4.1 | 10.6 |
| 25½ | 12 | James (M.) Inds. 10p | 25½ | ...... | 1.0 | ф | 5.8 | ф |
| 248 | 147 | Jardine M. $HK5 | 240 | −4 | Q88c | 2.0 | 3.0 | 15.9 |
| 25½ | 16½ | Jentique | 21 | ...... | ‡1.03 | — | ‡ | — |
| 10 | 6½ | Johnson & Barnes | 7# | ...... | — | — | — | — |
| 249 | 152 | Johnson Clnrs. | 235 | −1 | 7.0 | 3.4 | 4.3 | 7.7 |
| *279 | 186 | Johnson Mthy. £1 | 270 | +10 | t9.0 | 2.8 | 4.8 | (9.8) |
| 92 | 75 | Jourdan (T.) 10p | 92 | ...... | 5.25 | 1.8 | 8.2 | 9.6 |
| 81 | 60 | Kalamazoo 10p | 67 | ...... | ‡3.75 | 1.4 | ‡ | 11.0 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## INSURANCE—Continued

| 1981 High | Low | Stock | Price | + or − | Div. Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| 290 | 240 | Phoenix | 288 | ...... | 14.9 | — | 7.4 | — |
| 220 | 186 | Provident | 200 | ...... | 11.4 | — | 8.1 | — |
| 257 | 209 | Prudential | 230 | +2 | 11.0 | — | 6.8 | — |
| 256 | 194 | Refuge 5p | 256 | +4 | 12.3 | — | 6.9 | — |
| *400 | 332 | Royal | 392 | +4 | 24.0 | — | 8.7 | — |
| 142 | 104 | Sedgwick 10p | 138 | ...... | 5.0 | 2.8 | 5.2 | 13.6 |
| 101 | 79 | Stenhouse | 94 | −2 | 4.65 | 1.8 | 7.1 | 9.9 |
| 241 | 180 | Stewart Wr. 20p | 228 | −5 | 12.0 | 1.3 | 7.5 | 13.2 |
| 892 | 688 | Sun Alliance £1 | 892 | +2 | 33.0 | — | 5.3 | — |
| 294 | 233 | Sun Life 5p | 294 | +5 | g9.0 | — | 4.4 | — |
| 758 | 543 | Taisho Mar. EDR | 701 | +3 | Q010% | — | 0.2 | — |
| 208 | 185 | Trade Indemnity | 195 | ...... | 6.34 | — | 4.6 | — |
| £27½ | £15⅞ | Travelers $2.50 | £26⅝ | +⅛ | Q$2.88 | — | 5.1 | — |
| 353 | 257 | Willis Faber | 350 | −2 | 12.0 | 2.0 | 4.9 | 14.6 |

## LEISURE

| 1981 High | Low | Stock | Price | + or − | Div. Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| 93 | 72 | Anglia TV 'A' | 86 | ...... | 5.0 | 4.6 | 8.3 | 3.0 |
| 148 | 116 | Assoc. Leisure 5p | 120 | +2 | 5.1 | 2.4 | 6.1 | 8.4 |
| 84½ | 61 | Barr & W.A.T. 'A' | 78 | +1 | 3.0 | — | 5.5 | — |
| 60 | 30 | Black Edgtn. 50p | 60 | +2 | 1.0 | — | 2.4 | — |
| 192 | 121 | Boosey & Hawkes | 172 | +8 | 5.67 | — | 4.7 | — |
| 56 | 46 | Campari Int. 20p | 48 | ...... | ‡4.0 | 1.7 | ‡ | (6.2) |
| 60 | 40 | Fairline Boats 10p | 47xd | ...... | ‡d3.5 | 1.2 | ‡ | 11.7 |
| 58 | 29 | Glasgow Pavilion 10p | 39 | ...... | — | — | — | — |
| 46 | 38 | Grampian TV A 10p | 41 | ...... | 2.75 | 2.4 | 9.6 | 6.1 |
| 103 | 74 | HTV Non/Vtg. | 75 | ...... | 10.0 | 2.2 | 19.0 | 3.6 |
| 104 | 74 | Hawley Leisure | 80 | +1 | h2.67 | 2.9 | 4.8 | (9.0) |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## MOTORS, AIRCRAFT TRADES

### Motors and Cycles

[illegible]

### Commercial Vehicles

[illegible]

### Components

[illegible]

### Garages and Distributors

[illegible]

## NEWSPAPERS, PUBLISHERS

[illegible]

## PAPER, PRINTING ADVERTISING

[illegible]

## PROPERTY

[illegible]

## INSURANCE

[illegible]

## PROPERTY—Continued

[illegible]

## SHIPPING

[illegible]

## SHOES AND LEATHER

[illegible]

## SOUTH AFRICANS

[illegible]

## TEXTILES

[illegible]

## TOBACCOS

[illegible]

## TRUSTS, FINANCE, LAND

### Investment Trusts

[illegible]

## INVESTMENT TRUSTS—Cont.

[illegible]

### Finance, Land, etc.

[illegible]

## OIL AND GAS

[illegible]

## OIL AND GAS—Continued

[illegible]

## OVERSEAS TRADERS

[illegible]

## RUBBERS AND SISALS

[illegible]

## TEAS

### India and Bangladesh

[illegible]

### Sri Lanka

[illegible]

### Africa

[illegible]

## MINES

### Central Rand

[illegible]

### Eastern Rand

[illegible]

### Far West Rand

[illegible]

### O.F.S.

[illegible]

### Finance

[illegible]

### Diamond and Platinum

[illegible]

### Central African

[illegible]



## MINES—Continued

### Australian

[illegible]

### Tins

[illegible]

### Copper

[illegible]

### Miscellaneous

| 1981 High | Low | Stock | Price | + or − | Div. Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 175 | 142 | Anglo-Dominion | 160 | −10 | — | — | — |
| 55 | 40 | Barymin | 48 | +1 | — | — | — |
| 25½ | 14 | Burma Mines 10p | 22 | ...... | 0.75 | 0.9 | 4.9 |
| 330 | 180 | Colby Res. Corp. | 250 | −10 | — | — | — |
| 275 | 200 | Cons. Murch. 10c. | 260 | ...... | ‡Q30c | 1.8 | 6.6 |
| 98 | 70 | ††Hemerdon 10c. | 70 | ...... | — | — | — |
| 180 | 135 | Highwood Res. | 145 | ...... | — | — | — |
| 400 | 300 | Northgate C$1 | 345 | ...... | — | — | — |
| 580 | 372 | R.T.Z. | 503 | −2 | 16.0 | 3.2 | 4.5 |
| £125 | £93½ | Do. 9¾% Cnv. Ln. '95-2000 | £111 | ...... | Q9½% | — | f9.2 |
| 143 | 110 | ††SPO Minerals 10p | 110# | ...... | — | — | — |
| 47 | 32 | Sabina Inds. C$1 | 33 | ...... | — | — | — |
| 44 | 28 | ††SWCM 10p | 36 | −1 | — | — | — |
| 550 | 465 | Tara Exptn. $1 | 520 | −5 | — | — | — |

## NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ф Figures or report awaited.
- ф USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- \# Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ** Regional price.
- ‖ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. ★★ Available only to UK pension schemes and insurance companies engaged in pension business. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

## REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

| Stock | Price | + or − | IRISH | Price | + or − |
|---|---|---|---|---|---|
| Albany Inv. 20p | 44 | +2 | Conv. 9% '80/82 | £92½ | ...... |
| Bertam | 13 | ...... | Nat. 9¾% 84/89 | £74 | +¼ |
| Bdg'wtr. Est. 50p | 465 | ...... | Fin. 13% 97/02 | £78½ | −¼ |
| Craig & Rose £1 | £11½ | ...... | Alliance Gas | 77 | ...... |
| Finlay Pkg. 5p | 21 | ...... | Arnott | 235 | ...... |
| Graig Ship. £1 | £21 | ...... | Carroll (P.J.) | 88 | ...... |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## OPTIONS

### 3-month Call Rates

| Industrials | | | | Property | |
|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Debenhams | 10 | P & O Dfd. | 12 | Burmah Oil | 16 |
| Distillers | 17 | Plessey | 28 | Charterhall | 8 |
| Dunlop | 8½ | Racal Elect. | 34 | KCA | 22 |
| Eagle Star | 25 | R.H.M. | 5 | Premier | 7½ |
| F.N.F.C. | 3 | Rank Org. Ord. | 18 | Shell | 32 |
| Gen. Accident | 30 | Reed Intnl. | 25 | Tricentrol | 30 |
| Gen. Electric | 60 | Sears | 5 | Ultramar | 44 |
| Glaxo | 28 | Tesco | 5½ | | |
| Grand Met. | 18 | Thorn EMI | 30 | Mines | |
| G.U.S. 'A' | 44 | Trust Houses | 15 | Charter Cons. | 21 |
| Guardian | 30 | Tube Invest. | 18 | Cons. Gold | 45 |
| G.K.N. | 15 | Turner & Newall | 10 | Lonrho | 9 |
| Hawker Sidd | 25 | Unilever | 58 | Rio T. Zinc | 45 |

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 32

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

FINANCIAL TIMES
Wednesday June 17 1981



# Musical instrument maker drums up business

By Lisa Wood

BOOSEY AND HAWKES, the musical instrument maker and music publisher, blew its own trumpet yesterday in announcing new initiatives to beat-off foreign competition and restore profitability.

Mr. Michael Boxford, the company's new group chief executive, said: "We are no longer prepared to watch our traditional home and export markets being increasingly taken over by foreign musical instruments, particularly of Japanese and American origin."

Mr Boxford said that Boosey and Hawkes which made a pre-tax loss of £100,00 last year, had always been production orientated. A symptom of this was lack of marketing.

The new strategy includes strong promotion of the company's brass and woodwind musical instruments, in which it has 70 per cent of the UK market, the re-organisation of the dealership network greater use of technology, for example in direct mailing activities, and the introduction of new manufacturing techniques.

The greatest change, finalised this week, is the introduction of the new franchise partnership scheme involving 160 of the company's 700 dealers. They, as exclusive agents, will be offered special discounts on instruments. A similar exercise will be done shortly among European dealers who take up about 50 per cent of the company's exports.

Production methods at the company's Edgware, London, factory have been re-evaluated and there has been a rationalisation of products.

Mr Don Close, the company's director of music, said: "We are going to make the market too hot for foreign competition."

# BP ends defiance on oil output

By Sue Cameron

BRITISH PETROLEUM, which last week defied government guidelines and cut its North Sea oil production by 80,000 barrels a day, is to increase its output again. The move follows the oil group's success in securing a reduction of $4.25 a barrel in the marker price for North Sea crude.

BP had cut its Forties field production—reducing government tax revenues—in an effort to force the state-owned British National Oil Corporation, the biggest trader of North Sea crude and the price-setter, to cut substantially its reference price for Forties field crude.

BP obtained Energy Department approval for an initial output cut from 485,000 to 430,000 barrels a day, an 11 per cent reduction, which broke the government's own guidelines on oil production. The Department lays down output levels for North Sea fields every three months and producers are not meant to deviate from them by more than 5 per cent either way.

Last week it reduced output further—to 350,000 barrels a day—without seeking government approval.

But last night, a day after BNOC decided to cut the official price of Forties crude from $39.25 to $35 a barrel, BP announced it was to restore Forties field production to 430,000 barrels a day.

Onshore search boost, Page 9

Continued from Page 1

## U.S. arms

Mr Haig conceded there had been disagreement on such issues as U.S. policy in Southern Africa and the Middle East. But he said there had been broad agreement in other areas. He named Afghanistan, Pakistan and Kampuchea as discussion subjects on which both sides had agreed. He said there was mutual concern that Kampuchea and Afghanistan should not be forgotten because of other international preoccupations.

Mr Haig yesterday met Vice-Chairman Deng Xiaoping and Premier Zhao Ziyang. Few details of his discussions with Deng have been disclosed, which appears to suggest the sensitive issue of Taiwan dominated their talks. On the eve of Mr Haig's arrival in Peking, the Chinese adopted a tough position on continuing U.S. arms sales to Taiwan.

In the final round of discussions, both sides apparently agreed to play down the issue. Mr Haig leaves Peking today for Wellington where he will attend an ANZUS council meeting before going to Manila

# NCB pension funds bid $265m for property trust

BY DAVID LASCELLES AND ANDREW TAYLOR

THE National Coal Board pension funds yesterday launched their biggest U.S. property takeover bid. They made an offer worth up to $265m (£132m) for Connecticut General Mortgage and Realty Investments.

This is the second major property bid by the coal board pension funds in two years. In June, 1979, they successfully offered $144.2m for a Californian property investment trust, Continental Illinois Properties.

Connecticut General Mortgage and Realty Investments said yesterday's offer by the funds—representing manual and white collar workers—had not been agreed.

The bid has been made through the funds' U.S. property investment subsidiary, Second Bouveries Properties, which has a 1 per cent stake in Connecticut. Second Bouveries is offering $33 for each of the company's ordinary outstanding shares with a proportionately higher offer for Connecticut's two classes of convertible subordinated debenture stocks. The offer, by tender, values Connecticut at $265m overall, and Second Bouverie says it aims to acquire at least 66 per cent.

The offer represents a premium of about 25 per cent above Connecticut General's recent stock market trading price of $26 — although the share price had risen to $30 on Monday ahead of yesterday's offer.

Connecticut has an investment portfolio valued at about $359m.

A breakdown of the portfolio shows about 40 per cent of assets represented by short- and long-term construction loans. The remainder is thought to represent retail property investments (12 per cent); residential properties (19 per cent); offices (9 per cent) and industrial properties (17 per cent).

Connecticut General is classed as a real estate investment trust (REIT), which means it pays no federal income tax rovided at least 95 per cent of taxable income is distributed to its shareholders.

The trust was formed 11 years ago when the real estate investment boom gave birth to large number of REITs—many of which subsequently folded in the mid-1970s property crash. Connecticut has remained one of the largest and strongest

More recently the sharp rise in U.S. commercial property values has attracted a number of major European developers and institutional property investors—particularly from the UK and Holland—to venture into the U.S. market.

Last year foreign participation in the U.S. real estate investment market was estimated to have grown to over $5bn a year.

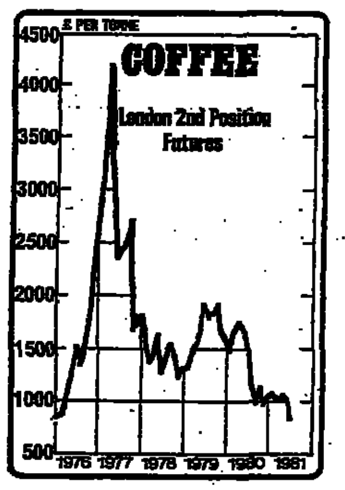
Another incentive for investors is that comercial rents have risen steeply: in mid-Manhattan office rents are said to have more than doubled to about $65 a sqare foot in the last year.

The Coal Board pensions funds, with total assets valued at over £2bn, are by far the largest British institutional investors to invest in U.S. real estate with its acquisition of Continental Illinois Properties in 1979.

# Coffee prices hit $5\frac{1}{2}$-year low

BY JOHN EDWARDS, COMMODITIES EDITOR

WORLD COFFEE prices fell sharply yesterday, hitting the lowest levels for five and a-half years. The latest decline followed the failure of an emergency meeting of the International Coffee Organisation, which sets export quotas, to agree on an immediate cut in supplies.




Instead the meeting, which lasted late into Monday night, ended in a compromise. It was decided to delay the July-September quarter issue of special "stamps" which must accompany coffee from producers and are the means of imposing export quota cuts.

This issue will be withheld until June 30 when the next meeting of the Coffee Organisation will decide whether to cut supplies further.

The U.S., backed by Britain and some other countries was opposed to a reduction in supplies until there had been more intensive research into why market prices have collapsed in the past six weeks.

At the beginning of May coffee futures prices in London stood at over £1,070 a tonne. Yesterday they fell below £800 for the first time since January 1976.

The September position closed at £792.5 a tonne, a loss of £66.5 on the day, after falling to £780 at one stage.

The fall in prices has taken most traders by surprise. The market normally holds steady at this time of the year when there is the seasonal threat of frost hitting the Brazilian coffee growing areas. The main frost danger period is July, but the Brazil crop, which is by far the biggest in the world, is theoretically at risk from mid-June to mid-August.

The supply of coffee, allowed on to the market by the International Coffee Agreement, has already been reduced sharply this season. There have been three separate quota cuts of 1.4m bags (of 60 kilos each), reducing the total annual quota administered by the agreement by 4.2m bags to 52.9m bags in the 1980-81 season ending in September

# Car premiums likely to rise by 8%-13%

BY JOHN MOORE

MOTORISTS FACE insurance premium increases of between 8 and 13 per cent this year, says the British Insurance Association.

The association, representing about 325 insurance companies, gave its latest estimate of the likely increases in London yesterday as it unveiled its members' results for last year.

Although motor premiums increased by 20 per cent in 1980, motor business produced a loss of £49.7m, compared with £54.9m in the previous year.

Frequency of motor claims fell by 3 per cent, due to better winter weather. But the cost of an average private motor claim rose by about 20 per cent, reflecting increased cost of spare parts, labour rates and car prices (between 7 and 17 per cent) and of court awards for injuries.

Mr John Sheather, of General Accident, said that this year's increases would depend on inflation and cost of spare parts and labour. There had been some evidence of a decline in accident frequency this year.

House contents insurance business was badly hit last year by a 55 per cent increase in domestic theft claims, which cost £75.6m.

As well as the overall higher crime rate, this was due to the fact that thieves took more expensive items such as hi-fis and other electrical goods.

The underwriting results in 1980 of BIA members worsened, producing an underwriting loss on worldwide general business of £310m, against £216.4m.

But investment income on funds rose by £147m to £1.13bn, producing a net surplus of £818m, compared with £764.6m

Detailed figures and Appointments, Page 24

# British Rail seeks 14,000 jobs cut

BY LYNTON McLAIN, TRANSPORT CORRESPONDENT

BRITISH RAIL has to lose 14,000 jobs in the next two years to improve its efficiency and encourage the Government to invest more money in the railways, chairman Sir Peter Parker, said yesterday. A crucial meeting of one of the main economic committees of the Cabinet has been called today to discuss BR's future.

Mr Sidney Weighell, general secretary of the National Union of Railwaymen yesterday promised to seek the aid of the miners and steel workers in any forthcoming confrontation with the Government and BR on pay and investment.

The train drivers union Aslef said a meeting was planned for later this month to find ways of starting industrial action on the railways.

The proposed job cuts are broadly in line with annual job losses called for in British Rail's corporate plan for 1981 to 1985. This is one of the papers to be examined by the Cabinet committee.

British Rail said yesterday that the plan was out of date when it was published in December, but the target of 38,300 job losses between 1980 and 1985 still stands.

Job cuts to improve productivity are crucial if BR is to win the support of the Cabinet for ambitious investment plans. These call for a total investment of £5.67bn between now and 1990.

Rail unions are adamant that they plan to fight any attempt to cut jobs.

● MPs should be given the opportunity to debate the proposals for railway electrification before a final decision is taken by the Government, Mr Michael Foot, leader of the Opposition said in the House of Commons yesterday. He called on Mrs Thatcher to back the plans, but she refused to indicate Government intentions.

Mrs Thatcher said the Government external finance limit of £920m for British Rail for 1981-82 was higher in real terms than in the previous year and was "equivalent to more than one penny on income tax for everyone in the country."

Continued from Page 1

## Prime Minister hits out

cent of her competitiveness to West Germany each year.

Once again the Prime Minister scornfully rejected the argument that there was a viable alternative economic strategy. In her view the old attempts at buying jobs by more public spending and by printing money had been thoroughly discredited.

The essential element in the Government's strategy was re-building of profits in the private sector so that new investment and new jobs could be created.

This meant that there had to be a period in which pay, except where earned by extra productivity, did not match inflation. "That is the only road leading to higher employment."

In a reference to the present dispute with Civil Service unions she said that everyone must recognise the Government determination not to provide more than could be afforded for pay rises in the public services.

"If necessary, we are prepared to live with the short-term consequences of that, as employees adjust to the new reality."

The CBI's impatience with the Government's attempts to cut public spending and curb public-sector pay rises was stressed by Sir Ray Pennock, CBI president.

While Mrs Thatcher emphasised the Government's interest in helping the private sector at the expense of the public sector, Sir Ray bluntly stated: "If progress towards economic recovery is to be maintained, in addition to more moderate wage settlements and better productivity, the government must cut public spending."

The CBI wants employers to cut the levels of wage increases by half in the coming year, and Sir Ray told Mrs Thatcher that the CBI relied on the Government "to join us in that effort." He particularly criticised strikers in the Civil Service.

Although the Prime Minister might stifle criticism at today's Cabinet, further evidence of Conservative Party unrest emerged last night in a statement from the Tory Reform Group.

The Left-wing pressure group stated that the Treasury's "blind adherance to screwing down the economy" was likely to end the party's chances

# Reagan signals 'no penalty on Israel'

By David Buchan in Washington

PRESIDENT REAGAN yesterday sent a clear signal to Congress that Israel should not be penalised by the U.S. for its attack on Iraq's nuclear reactor 10 days ago.

Mr. Reagan, whose Administration intends to veto any bid in the UN security council to mount full-scale sanctions against Israel, told a Press conference that Israel had had "reason for concern" about Irfaq's nuclear programme. He criticised the non-proliferation treaty, which Iraq has signed but Israel has not.

The President said his Administration and Congress had not finished their review of whether Israel violated the U.S. requirement that U.S.-made weapons only be used for legitimate self-defence.

But it was clear that as far as he was concerned, the verdict was delivered: "I think we can recognise very probably that Israel might have sincerely believed it was a defensive move" to bomb the Osirak reactor near Bagdhad.

These words by Mr Reagn, at his first Press conference since he was shot on March 30, may well influence the Senate Foreign Relations Committee, due tomorrow to open hearings on the Israeli raid.

Asked of how the U.S. should react if Israel, against Washington's wishes, were to carry out its threat to strike at the Syrian missiles in Lebanon, Mr Reagan claimed the Syrian's Russian-made surface-to-air missiles were offensive because of where they were placed and how they were aimed.

However, he said "I would hate to see this happen." He added that Israeli action of that kind would torpedo the mediation mission of Mr Philp Habib, his special envoy. He hoped the Habib mission could still succeed.

Mr Habib has now arrived in Damascus, on one of the most tricky legs of his resumed mission, since the Israeli bombing raid on Iraq has refuelled Syrian suspicion of U.S. ties to Israel.

In only his third press conference since he took office, Mr. Reagan rejected the view that since he had made no major foreign policy address in the past five months, his administration had no foreign policy. Instead, he ticked off the number of meetings with foreign leaders that he and his top White House and Cabinet aides had held.

Israel "preparing for war," Page 4

# Weather

UK TODAY

SUNNY intervals, rain in the West later. Generally cool.

**London, S and SE England, N and NE England, E Midlands, E. Anglia**
Rather cloudy with some showers. Max 16C.

**NW England, SW Scotland, W. Midlands, SW England, Wales**
Cloudy, scattered showers, bright intervals. Max 16C.

**Borders, Edinburgh and Dundee, Aberdeen, Orkney, Shetland, Glasgow, Highlands, NE Scotland, Moray Firth**
Sunny intervals, occasional light showers. Max 14C.

**NW Scotland, N Ireland, Argyll**
Sunny intervals, some rain later. Max 15C.

**Outlook:** Some rain in the north, mostly dry elsewhere.

WORLDWIDE

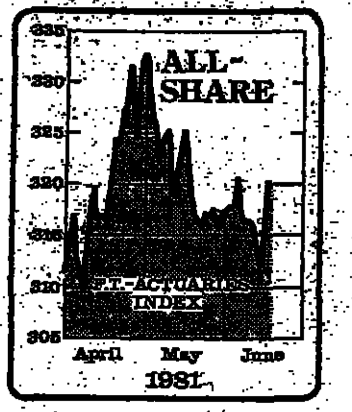
| | | Y'day midday °C | °F | | | Y'day midday °C | °F |
|---|---|---|---|---|---|---|---|
| Ajaccio | S | 27 | 81 | L. Ang.† | | — | — |
| Algiers | S | 27 | 81 | Luxmbg. | F | 17 | 63 |
| Amsdm. | F | 14 | 57 | Luxor | S | 37 | 99 |
| Athens | S | 25 | 77 | Madrid | S | 33 | 91 |
| Bahrain | S | 34 | 93 | Majorca | S | 31 | 88 |
| Barclna. | S | 29 | 84 | Malaga | S | 28 | 82 |
| Belfast | R | 13 | 55 | Malta | S | 32 | 90 |
| Belgrd. | S | 30 | 86 | Mchstr. | C | 13 | 55 |
| Berlin | F | 15 | 59 | Melbne. | | — | — |
| Biarritz | F | 22 | 72 | Mx. C.† | | — | — |
| Bnghm. | C | 13 | 55 | Miami† | F | 26 | 79 |
| Blackpl. | C | 13 | 55 | Milan | F | 30 | 86 |
| Bordx. | S | 26 | 79 | Montrl.† | C | 24 | 75 |
| Boulgn. | F | 15 | 59 | Moscow | S | 19 | 66 |
| Bristol | C | 14 | 57 | Munich | S | 21 | 70 |
| Brussels | F | 15 | 59 | Nairobi | F | 24 | 75 |
| Budpst. | T | 19 | 66 | Naples | S | 26 | 79 |
| Cairo | S | 31 | 88 | Nassau | | — | — |
| Cardiff | C | 14 | 57 | Nwcstl. | C | 14 | 57 |
| Casbca. | S | 24 | 75 | N York† | C | 23 | 73 |
| Cape T. | S | 17 | 63 | Nice | S | 26 | 79 |
| Chicg.† | C | 18 | 64 | Nicosia | | — | — |
| Cologne | C | 17 | 63 | Oporto | S | 33 | 91 |
| Cpnhgn. | R | 13 | 55 | Oslo | T | 19 | 66 |
| Corfu | S | 28 | 82 | Paris | F | 20 | 68 |
| Denver† | F | 8 | 46 | Perth | | — | — |
| Dublin | F | 15 | 59 | Prague | F | 18 | 64 |
| Dbrnvk. | S | 29 | 84 | Rykjvk. | S | 10 | 50 |
| Ednbgh. | C | 14 | 57 | Rhodes | S | 24 | 75 |
| Faro | S | 28 | 82 | Rio J'o† | | — | — |
| Florence | S | 31 | 88 | Rome | S | 30 | 86 |
| Frankft. | F | 20 | 68 | Salzbrg. | C | 20 | 68 |
| Funchal | C | 24 | 75 | S'ciscot | C | 14 | 57 |
| Geneva | C | 25 | 77 | S. Mrtz. | | — | — |
| Gbrltr. | S | 23 | 73 | Singapr. | F | 33 | 91 |
| Glasg'w | C | 11 | 52 | S'tiagot | | — | — |
| G'nsey | S | 13 | 55 | Stckhm. | C | 11 | 52 |
| Helsinki | C | 12 | 54 | Strsbg. | F | 21 | 70 |
| H. Kong | F | 29 | 84 | Sydney | | — | — |
| Innsbrk. | C | 24 | 75 | Tangier | S | 32 | 90 |
| Invrnss. | R | 11 | 52 | Tel Aviv | S | 26 | 79 |
| I.o Man | | — | — | Tenerife | S | 25 | 77 |
| Istanbul | S | 21 | 70 | Tokyo | C | 26 | 79 |
| Jersey | S | 14 | 57 | Tronto.† | F | 25 | 77 |
| Jo'burg | S | 12 | 54 | Tunis | S | 32 | 90 |
| L. Pims. | S | 24 | 75 | Valencia | S | 32 | 90 |
| Lisbon | S | 33 | 91 | Venice | S | 23 | 73 |
| Locarno | C | 25 | 77 | Warsaw | C | 17 | 63 |
| London | F | 16 | 61 | Zurich | F | 22 | 72 |

C—Cloudy. F—Fair. R—Rain. S—Sunny. T—Thunder.
† Noon GMT temperature.

# THE LEX COLUMN

## Sour taste in the sugar struggle

**Index rose 3.6 to 551.4**




The Government has got itself into a most unsatisfactory position in the takeover battle for British Sugar. Its first, and worst, mistake was to opt for a kind of bogus neutrality in respect of its 24 per cent shareholding in the company. That stance meant that it did not have to take any controversial decisions. But any shareholder with this degree of power — particularly a Government—has a duty to consider the best long term interests of the company. Can one imagine the French, or the Japanese, acting in this way?

The second mistake was to adopt a mechanistic formula to decide whether it would accept or reject S. and W. Berisford's bid. The Government said that it would be guided by the wishes of the uncommitted shareholders, which on its reckoning means that Berisford will win over its shares once it controls 42.6 per cent of the votes. Take the total share capital, knock out the Government's holding and Berisford's original 9 per cent stake, and divide by two. Pretty sophisticated stuff.

As a result Berisford, with 39.3 per cent of the votes, is within 2m shares of victory even though its offer—which is not generous — has so far been acccepted by just over 3 per cent of the shares.

The fact is that despite its protestations, the Government's influence on this affair has not been neutral. Since it was known to be a potential seller of its British Sugar shares, investors were able to sell in the market at Berisford's final bid price, knowing that if the bid failed they would probably be able to buy the shares back at a cheaper price when the Government placed its holding. More than anything else, Berisford has won over the "uncommitted" shareholders as the result of a technical position—which was largely created by the Government.

However, even at this stage it is by no means certain that Berisford will win the day. Most people who are likely to accept its offer will have done so by now, and Berisford cannot buy any more in the market so long as the shares remain above its final offer price. Schroder, the bank acting for British Sugar, has been buying on its own account to keep the price up, and it may not have to push the boat out too far since British Sugar has only relatively few shareholders, and most of them seem to have made up their minds one way or another.

In the end, the outcome could well be decided by the way that the stock market as a whole moves in the next few days. What a way to decide the fate of an important company.

### Sony

The Sony share price has risen by over 70 per cent this year against a background of stagnant profits, so the market is clearly not looking to the short term and news of a 25.2 per cent fall in second quarter net income to Y11.47bn had little impact on the shares yesterday.

The drop is largely attributable to the strength of the yen, exacerbated in the reported figures by the use of the U.S. currency translation standard FAS 8. The company is basing its forecast of maintained or slightly lower full year profits on a dollar rate of roughly Y210 by the end of October, compared with Y220 at the moment.

This may now look a little optimistic but the year on year distortions are almost certain to be lower than in the first half and the company should benefit from the slight pick-up in domestic consumer demand later this year. In the second quarter, domestic sales rose by only 2.6 per cent.

Overseas unit sales remain very strong on the back of heavy demand for video recorders and Walkman cassette players—production of the latter is being quadrupled this year. With overseas sales accounting for roughly two-thirds of the total in yen terms, Sony is expanding its foreign manufacturing base to guard against a further yen appreciation. But it is new products, not new plant, which justify the Tokyo p/e of almost 17 times prospective earnings.

### Trident

In the first six month — to March — Trident's advertising revenue seems to have grown rather more slowly than the ITV contracting average, and the 18 per cent fall in pre-tax profits for the year to £4.3m presages a decline for the year. But with details of its divestment of Yorkshire and Tyne Tees to be announced in the next few days, along with an outline of future intentions, this year's trading results are of historic interest only.

Although there seems to have been some last-minute chopping and changing, in essence Trident will be placing 85 per cent of Yorkshire and 80 per cent of Tyne Tees. It will obtain about £10m cash, but will retain studio and other facilities which it will rent to the TV companies for perhaps £3 a year. So by January net cash in the balance-sheet may be of the order of £18m, or 38p a share. But talks of a cash shell is beside the point, for the company is planning to spend the money on acquisitions fairly rapidly.

Instead Trident may well emerge as the purest UK route into new forms of broadcasting. Over the next couple of years it will have greater freedom of action than other TV contractors, which face the constraints of financing the fourth channel, and it has already got a foot in the satellite broadcasting door. So investors may find themselves holding a high-risk, speculative stock. The narrow trading range of the shares—up 1p yesterday to 52p—may be a thing of the past.

### AB Foods

The annual report of Associated British Foods shows once again that cash flow is the key to the success of a group which as a family company—the Weston family interests hold 71 per cent—cannot fall back on rights issues. Net cash flow reached £112m last year and with working capital under the usual tight control (in fact £4m was released here) ABF could comfortably finance its £120m of spending on new fixed assets and subsidiaries. Today the group will announce a new spending programme, including two grain processing factories at Corby. And unlike too many other companies, ABF has a habit of earning a good return—of 8 per cent on a current cost basis in 1980-81.

# NEWS REVIEW

BUSINESS

## Indian Jaguars to use Ferranti displays

The Jaguars of the Indian Air Force are to be equipped with the Ferranti COMED Combined Map and Electronic Display under a contract between Hindustan Aeronautics Ltd and Ferranti Navigation Systems Department in Edinburgh. COMED is a very advanced, versatile and compact aircraft cockpit display system which presents to the pilot flight, tactical or other symbology superimposed on a moving map.

### Tight stations

Vertex is a new system designed to improve station keeping for small to medium vessels in the vicinity of large structures or assisting in diving operations.

It employs radar equipment, custom-built beacons and a microprocessor to provide tight station keeping at short ranges, although it will operate out to a distance of 300 metres. Vertex has been developed by Ferranti Computer Systems Ltd.

### Briefly . . .

Ferranti microprocessor F100-L will be used by British Aerospace in the new generation, all-weather, air-launched, sea-skimming, anti-ship guided weapon Sea Eagle.

British Telecom has ordered a third Autoflood test system from Ferranti Computer Systems for extensive protocol and load testing of the International Packet Switched Service and other systems.

London Borough of Bromley will be installing a Ferranti Videodata data communication system in the new civic centre.



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